

LEGISLATIVE RESEARCH COMMISSION ACTIVITIES

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INTERIM REPORT

MARCH 26, 1990

SUMMARIES PREPARED BY
LEGISLATIVE SERVICES OFFICE
1989 GENERAL ASSEMBLY OF
NORTH CAROLINA

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STATE OF NORTH CAROLINA
LEGISLATIVE RESEARCH COMMISSION
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March 22, 1990

TO THE MEMBERS OF THE 1989 GENERAL ASSEMBLY:

The Legislative Research Commission directed its staff to prepare an interim report outlining the work thus far of its committees during the 1989-1990 fiscal year. This report contains a brief summary of each committee's progress and describes the number of committee meetings, subjects studied, findings and recommendations. We contemplate publishing an updated report in May just prior to the 1990 Session.

These summaries were prepared by the staff to the individual committees to provide brief overviews of the committees' work. These summaries do not modify nor should they be considered as modifying the Commission's report, if issued. The individual report by the Legislative Research Commission is authoritative. Copies of the Legislative Research Commission's reports may be obtained from the Legislative Library, Room 2126, State Legislative Building, Raleigh, North Carolina 27611. [Telephone: (919) 733-7778].

Yours truly,

A handwritten signature in black ink that reads "Terrence D. Sullivan".

Terrence D. Sullivan
Director of Research
Legislative Services Office

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LEGISLATIVE RESEARCH COMMISSION

INTRODUCTION

The North Carolina Legislative Research Commission is an interim study organization of the General Assembly. Authorized by North Carolina General Statutes § 120-30.10 through § 120-30.18, the Commission undertakes studies by direction of resolutions from the preceding legislative session or by direction of the Commission Chairmen. The Commission, in view of its limited monies, decided not to fund all authorized studies and referred some studies authorized to be conducted by the Commission and each's disposition begins on page 12.

The Commission is chaired by the President Pro Tempore of the Senate and the Speaker of the House of Representatives. The chairmen appoint five members from their respective houses. By tradition, the Commission has produced its studies working through committees responsible to Commission members and made up of other members of the General Assembly assisted by advisory members from outside the General Assembly.

This publication contains a list of all the interim study committees funded by the Legislative Research Commission and a summary of each committee's work.

1989-1990

LEGISLATIVE RESEARCH COMMISSION

MEMBERSHIP

**Speaker of the House of
Representatives**
Josephus L. Mavretic, Cochair

Rep. Joanne W. Bowie

Rep. J. Fred Bowman

Rep. Harold J. Brubaker

Rep. James W. Crawford, Jr.

Rep. John W. Hurley

**President Pro Tempore of
the Senate**
Henson P. Barnes, Cochair

Senator Ralph A. Hunt

Senator Donald R. Kincaid

Senator Robert L. Martin

Senator Lura S. Tally

Senator Russell G. Walker



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ARTICLE 6B.
Legislative Research Commission.

§120-30.10. Creation; appointment of members; members ex officio.

(a) There is hereby created a Legislative Research Commission to consist of five Senators to be appointed by the President pro tempore of the Senate and five Representatives to be appointed by the Speaker of the House. The President pro tempore of the Senate and the Speaker of the House shall be ex officio members of the Legislative Research Commission. Provided, that when the President of the Senate has been elected by the Senate from its own membership, then the President of the Senate shall make the appointments of the Senate members of the Legislative Research Commission, shall serve ex officio as a member of the Commission and shall perform the duties otherwise vested in the President pro tempore by G.S. 120-30.13 and 120-30.14.

(b) The cochairmen of the Legislative Research Commission may appoint additional members of the General Assembly to work with the regular members of the Research Commission on study committees. The terms of the additional study committee members shall be limited by the same provisions as apply to regular commission members, and they may be further limited by the appointing authorities.

(c) The cochairmen of the Legislative Research Commission may appoint persons who are not members of the General Assembly to advisory subcommittees. The terms of advisory subcommittee members shall be limited by the same provisions as apply to regular Commission members, and they may be further limited by the appointing authorities. (1965, c. 1045, s. 1; 1975, c. 692, s. 1.)

§120-30.11. Time of appointments; terms of office.

Appointments to the Legislative Research Commission shall be made not earlier than the close of each regular session of the General Assembly held in the odd-numbered year nor later than 15 days subsequent to the close. The term of office shall begin on the day of appointment, and shall end on December 15 of the next even-numbered year. Except for the work of the Administrative Rules Review Committee, no moneys appropriated to the Legislative Research Commission may be expended for meetings of the Commission, its committees or subcommittees held after December 15 of the next even-numbered year and before the appointment of the next Legislative Research Commission. (1965, c. 1045, s. 2; 1975, c. 692, s. 2; 1977, c. 915, s. 4; 1981, c. 688, s. 19; 1983, c. 63, s. 1; 1983 (Reg. Sess., 1984), c. 1034, s. 178.)

§120-30.12. Vacancies.

Vacancies in the appointive membership of the Legislative Research Commission occurring during a term shall be filled for the unexpired term by appointment by the officer who made the original appointment. Vacancies in the ex officio membership shall be filled for the unexpired term by election by the remaining members of the Commission. Every vacancy shall be filled by a member of the same house as that of the person causing the vacancy.

If for any reason the office of President pro tempore of the Senate becomes vacant, the five Senate members of the Legislative Research Commission shall elect one of their own number to perform and exercise the duties imposed and powers granted pursuant to this Article, and such Senator so elected shall serve until the Senate shall elect a President pro tempore. If for any reason the office of Speaker of the House of Representatives becomes vacant, the five members of the House of Representatives of the Legislative Research Commission shall elect one of their own number to perform and exercise the duties imposed and powers granted pursuant to this Article, and such

member of the House of Representatives so elected shall serve until the House of Representatives shall elect a Speaker. (1965, c. 1045, s. 3; 1969, c. 1037.)

§ 120-30.13. Cochairmen; rules of procedure; quorum.

The President pro tempore of the Senate and the Speaker of the House shall serve as cochairmen of the Legislative Research Commission. The Commission shall adopt rules of procedure governing its meetings. Eight members, including ex officio members, shall constitute a quorum of the Commission. (1965, c. 1045, s. 4.)

§ 120-30.14. Meetings.

The first meeting of the Legislative Research Commission shall be held at the call of the President Pro Tempore of the Senate in the State Legislative Building or in another building designated by the Legislative Services Commission. Thereafter the Commission shall meet at the call of the chairmen. Every member of the preceding General Assembly has the right to attend all sessions of the Commission, and to present his views at the meeting on any subject under consideration. (1965, c. 1045, s. 5; 1981, c. 772, s. 1.)

§ 120-30.15. Repealed by Session Laws 1969, c. 1184, s. 8.

§ 120-30.16. Cooperation with Commission.

The Legislative Research Commission may call upon any department, agency, institution, or officer of the State or of any political subdivision thereof for such facilities and data as may be available, and these departments, agencies, institutions, and officers shall cooperate with the Commission and its committees to the fullest possible extent. (1965, c. 1045, s. 7.)

§ 120-30.17. Powers and duties.

The Legislative Research Commission has the following powers and duties:

(1) Pursuant to the direction of the General Assembly or either house thereof, or of the chairmen, to make or cause to be made such studies of and investigations into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most efficient and effective manner.

(2) To report to the General Assembly the results of the studies made. The reports may be accompanied by the recommendations of the Commission and bills suggested to effectuate the recommendations.

(3), (4) Repealed by Session Laws 1969, c. 1184, s. 8.

(5), (6) Repealed by Session Laws 1981, c. 688, s. 2.

(7) To obtain information and data from all State officers, agents, agencies and departments, while in discharge of its duty, pursuant to the provisions of G.S. 120-19 as if it were a committee of the General Assembly.

(8) To call witnesses and compel testimony relevant to any matter properly before the Commission or any of its committees. The provisions of G.S. 120-19.1 through G.S. 120-19.4 shall apply to the proceedings of the Commission and its committees as if each were a joint committee of the General Assembly. In addition to the other signatures required for the issuance of a subpoena under this subsection, the subpoena shall also be signed by the members of the Commission or of its committee who vote for the issuance of the subpoena.

(9) For studies authorized to be made by the Legislative Research Commission, to request another State agency, board, commission or committee to conduct the study if the Legislative Research Commission determines that the other body is a more appropriate vehicle with which to conduct the study. If the other body agrees, and no legislation specifically provides otherwise, that body shall conduct the study as if the

original authorization had assigned the study to that body and shall report to the General Assembly at the same time other studies to be conducted by the Legislative Research Commission are to be reported. The other agency shall conduct the transferred study within the funds already assigned to it. (1965, c. 1045, s. 8; 1969, c. 1184, s. 8; 1977, c. 915, s. 3; 1981, c. 688, s. 2; 1983, c. 905, s. 7; 1985, c. 790, s. 7.)

§120-30.18. Facilities; compensation of members; payments from appropriations.

The facilities of the State Legislative Building, and any other State office building used by the General Assembly, shall be available to the Commission for its work. Members of the General Assembly serving on the Legislative Research Commission or its study committees shall be reimbursed for travel and subsistence expenses at the rates set out in G.S. 120-3.1. Advisory subcommittee members shall be reimbursed and compensated at the rates set out in G.S. 138-5 (public members) and G.S. 138-6 (State officials or employees). All expenses of the Commission shall be paid from funds appropriated for the Commission. (1965, c. 1045, s. 9; 1975, c. 692, s. 3; 1981, c. 772, s. 2.)

TABLE OF AUTHORIZED LEGISLATIVE RESEARCH COMMISSION STUDIES

The following is a list of the topics which the General Assembly (1989 Session) authorized the Legislative Research Commission to study. Except where otherwise indicated, the original bill or resolution which outlines the scope of the particular study is incorporated by reference in Chapter 802 (SB 231) of the 1989 Session Laws. Footnotes indicate which unfunded studies were referred to another agency or Commission to be conducted and which group was to conduct each. Unless otherwise indicated, each Committee may report to the 1990 Session of the 1989 General Assembly or the 1991 General Assembly, or may make an interim report to the 1990 Session of the 1989 General Assembly and a final report to the 1991 General Assembly.

<u>Study</u>	<u>Sponsor</u>	<u>Authorization</u>	<u>Staff</u>	<u>Page</u>
Administrative Procedure Act Rulemaking Process	Sen. Johnson Sen. W. Martin Rep. Michaux	SB 535 SJR 1003 HB 1459	Riley	33
Agriculture	Rep. Brown Rep. Bowman	HB 1362 HB 1304	Jones	12
Consumer Protection Issues and the Elderly	Sen. Barker	SB 1261	Watson	18
Education--Proprietary Schools	Sen. W. Martin	SB 854	Fuerst	31
Fallow Deer ¹	Rep. James	HJR 1924	N/A	N/A
Financial Institutions--Credit Card Banks	Sen. Staton Rep. Locks	SB 377 HB 1910	Sullivan	16
Firefighter Benefits ²	Sen. Royall	SB 44	Carter	27
Health Care/Insurance Costs Issues	Rep. Wiser Rep. Perdue Sen. Joe Johnson Rep. Duncan Rep. Payne Rep. Barnes Rep. Mills	HB 202 HB 961 SB 1068 HB 1159 HB 1187 HB 1014 HB 1242	Fitzner	40
Homeless Persons	Rep. Greenwood Sen. W. Martin	HB 2018 SB 1290	Sabre	42
Insanity--Insanity Verdict	Rep. Rhodes Rep. Sizemore	HB 1364 HB 1372	Pell	13

<u>Study</u>	<u>Sponsor</u>	<u>Authorization</u>	<u>Staff</u>	<u>Page</u>
Legislative Activity Between Legislative Sessions and Procedures to Shorten the Legislative Session ³	N/A	N/A	N/A	N/A
License Plate Fees--Personalized and Special Plates ⁴	Sen. Basnight	SB 913	Avrette	47
Minority Business Contracts	Sen. R. Hunt Rep. Colton	SB 927 HJR 1514	Gilkeson	35
Public Employee Day Care/ Medical/Dental Benefits	N/A	N/A	Kimbell	26
Railroads	N/A	N/A	Dail	52
Rest Homes, ICF and SNF Facilities	Rep. Easterling	HJR 173	Young	39
Revenue Laws	Rep. Lilley Sen. Odom	HJR 3 SB 1298	Harris	44
Salvage Motor Vehicle Titles ⁸	N/A	N/A	Godette	53
Solid Waste Management	Sen. Speed Sen. Basnight Rep. Diggs	SJR 112 SB 1214 HB 1045	Iddings	30
Sports Fishing Licenses ¹	Sen. Barker	HB 1284	N/A	N/A
State Capital Assets and Improvements	Sen. Sherron	SB 1240	Perry	37
State Information Processing Needs and Cost ³	Sen. Royall	SB 47	N/A	N/A
State Marine Patrol ³	Sen. Barker	SB 1267	N/A	N/A
State Ports Authority and International Trade	Sen. Barker Rep. Hall	SJR 96 HB 133	Dail	20
Tourism's Growth and Effect	Sen. Block Rep. Warren	SB 297 HB 379	Fitzner	21
Transportation--Long-Range Needs ⁵	Rep. R. Hunter	HB 399	Levenbook	49
Transportation--Public Transportation Financing ⁶	Rep. Blue	HB 694	Perry	50

<u>Study</u>	<u>Sponsor</u>	<u>Authorization</u>	<u>Staff</u>	<u>Page</u>
Travel/Tourism Reorganization ¹	Rep. Perdue	HB 1132	N/A	N/A
Water Resources--Groundwater Protection	Rep. DeVane Sen. Winner	HJR 554 SJR 367	Evans-Stanton	55
Water Resources--Surface Water Quality/Resources Issues	Rep. B. Ethridge Rep. B. Ethridge Rep. Hackney Rep. Holt Rep. Payne Rep. Colton Rep. Kaplan	HJR 33 HJR 37 HB 1224 HJR 1399 HB 1945 HB 1955 SB 1182	Johnson	56
"Willie M." Program ⁷	Sen. Block	SJR 88	N/A	N/A
Worker Training Trust Fund	Sen. Parnell	SB 271	Gilkeson	23

¹ Study not funded by LRC.

² Incorporated in Chapter 752, §43; report upon convening of the 1991 Session.

³ Referred to the Joint Legislative Commission on Governmental Operations.

⁴ Incorporated in Chapter 774, §6; may report to 1991 General Assembly.

⁵ Incorporated in Chapter 692, §1.12; reporting date not specified.

⁶ Incorporated in Chapter 740, §7; report to 1990 Session of the 1989 General Assembly.

⁷ Referred to the Mental Health Study Commission.

⁸ Authorized pursuant to G.S. 120-30.17.

1989 - 1990
GROUPING OF STUDIES AUTHORIZED BY THE
LEGISLATIVE RESEARCH COMMISSION

<u>Study Subjects</u>	<u>Commission Member Responsible</u>	<u>Page</u>
I. AGRICULTURE AND CRIMINAL LAW	Rep. Bowman	
A. Agriculture (HB 1362-Brown); and Agribusiness Plant Variances (HB 1304-Bowman)		12
B. Insanity Verdict (HB 1364-Rhodes); and Guilty but Insane Verdict (HB 1372-Sizemore)		13
II. CREDIT AND CONSUMER PROTECTION	Rep. Brubaker	
A. Deregulation of Revolving Credit and Authorization of Credit Card Banks (SB 377-Staton); and Linked Deposits (HB 1910-Locks)		16
B. Consumer Protection Issues, including those relating to the Elderly (SB 1261-Barker)		18
III. ECONOMIC DEVELOPMENT AND TOURISM	Sen. Kincaid	
A. State Ports (SJR 96-Barker, HB 133-Hall)		20
B. Tourism's Growth and Effect (SB 297-Block, HB 379-Warren)		21
C. Worker Training Trust Fund Study (SB 271-Parnell)		23
IV. GOVERNMENT EMPLOYEES BENEFITS	Rep. J. W. Crawford	
A. Public Employees' Day Care and Medical and Dental Benefits		26
B. Medical, Disability, Death, Retirement and Related Benefits for Firemen Provided by Federal, State, and Local Governments (Chapter 752, §43 (SB 44))		27

	<u>Study Subjects</u>	<u>Commission Member Responsible</u>	<u>Page</u>
V.	GOVERNMENT REGULATION	Sen. Bob Martin	
	A. Development of a State Strategy for the Management of Solid Waste (SJR 112-Speed, SB 1214-Basnicht); and Infectious Wastes (HB 1045-Diggs)		30
	B. Proprietary Schools (SB 854-Martin, W.)		31
	C. Administrative Procedure Act's Rule-Making Process (SB 535-Johnson); and Office of Administrative Hearings and the Administrative Rules Review Commission (SJR 1003-Martin of Guilford, HB 1459-Michaux)		33
VI.	GOVERNMENTAL CAPITAL ASSETS, CONTRACTING, AND FUNCTIONING	Sen. Ralph Hunt	
	A. State Procurement Contracts to Minority Business Enterprises (SB 927-Hunt of Durham); and Small Business Technical Assistance Programs (HJR 1514-Colton)		35
	B. State Capital Assets and Improvements (SB 1240-Sherron)		37
VII.	HUMAN RESOURCES	Sen. Walker	
	A. Care Provided by Rest Homes, Intermediate Care Facilities, and Skilled Nursing Homes (HJR 173-Easterling); and Necessity for Certificates of Need; and Continuing Care Issues		39
	B. Health Care/Insurance Costs Issues, including but not limited to, Availability, Benefits, Costs, Portability, Long-Term Care Insurance (HB 202-Wiser); Health Insurance Costs (HB 961-Perdue, SB 1068-Johnson, Joe); Health Insurance (HJR 1159-Duncan); Infertility Treatment Coverage (HB 1187-Payne); Mammogram/Pap Smear Coverage (HB 1014-Barnes); and Health Care Insurance Coverage (HB 1242-Mills)		40
	C. Homeless Persons (HB 2018-Greenwood, SB 1290-Martin of Guilford)		42

<u>Study Subjects</u>	<u>Commission Member Responsible</u>	<u>Page</u>
VIII. TAXATION	Rep. Hurley	
A. Revenue Laws (HJR 3-Lilley); and Local Revenue Sources Options (SB 1298-Odom)		44
B. Fee Structure for Personalized License Plates and Special Plates (Chapter 774, §6 (SB 913))		47
IX. TRANSPORTATION	Rep. Bowie	
A. Long-Range Transportation Needs of the State, Alternative Methods of Transportation, including Bikeways and Sidewalks, and the Impact of the Highway Trust Fund on Potential Revenue Sources for Alternative Transportation (Chapter 692, §1.12 (HB 399))		49
B. Public Transportation Financing and Private Sector Contracts for Public Transportation Services (Chapter 740, §7 (HB 694))		50
C. Lease and Renegotiation of Contracts of the North Carolina Railroad Company and the Atlantic and North Carolina Railroad Company		52
D. Salvage Motor Vehicle Titles		53
X. WATER	Sen. Tally	
A. Development of a State Strategy for the Protection of All Groundwater Resources (HJR 554-DeVane, SJR 367-Winner)		55
B. Surface Water Quality and Resources Issues, Including Interbasin Transfer, Albemarle-Pamlico Estuarine (HJR 33-Ethridge,B.); Coastal Water Quality (HJR 37 Ethridge,B.); Haw in Scenic River System (HB 1224-Hackney); Pesticides (HJR 1399-Holt); Water Resources Planning (HB 1945-Payne); Toxaway River (HB 1955-Colton); and Yadkin River Use and Protection (SB 1182-Kaplan)		56

I. AGRICULTURE AND CRIMINAL LAW

AGRICULTURE

Authorization: Chapter 802, §2.1, 1989 Session Laws (HB 1362, HB 1304)

LRC Member in Charge:

Rep. J. Fred Bowman
814 N. Graham-Hopedale Road
Burlington, NC 27217
(919)228-7521

Members

President Pro Tem's Appointments

Sen. James D. 'Jim' Speed
Co-Chairman
Route 6, Box 542
Louisburg, NC 27549
(919)853-2167

Sen. Charles W. 'C. W.' Hardin
67 Rhoda Street
Canton, NC 28716
(704)648-2327

Sen. Wendell H. Murphy
P.O. Box 280
Rose Hill, NC 28458
(919)289-2111

Sen. David R. Parnell
P.O. Box 100
Parkton, NC 28371
(919)858-3521

Sen. R. C. Soles, Jr.
P.O. Box 6
Tabor City, NC 28463
(919)653-2015

Mr. Norwood P. Whitley, Jr.
Route 2
Stantonsburg, NC 27883

Mr. Billy Yeargin
N.C. Sweet Potato Commission
1201 Ravens Point Circle
Raleigh, NC 27614
(919)894-2166

Speaker's Appointments

Rep. John W. Brown
Co-Chairman
Route 2, Box 87
Elkin, NC 28621
(919)835-2373

Rep. Charles W. Albertson
Route 2, Box 141-E
Beulaville, NC 28518
(919)298-4923

Mr. John C. Allen
717 Clark Road
Snow Camp, NC 27349

Rep. H. Clayton Loflin
1425 Medlin Road
Monroe, NC 28110
(704)289-4554

Rep. Edith L. Lutz
Route 3, Box 197
Lawndale, NC 28090
(704)538-7818

Rep. Leo Mercer
115 Miller Street
Chadbourn, NC 28431
(919)654-3518

Rep. John H. Weatherly
Route 3, Box 728
Kings Mountain, NC 28086
(704)487-0039

Staff:

* Linwood Jones
Jill F. Cramer
Research Division
(919)733-2578

Clerk:

Anne Kidd
Legislative Building, Room 1111
O: (919)733-5935
H: (919)847-3789

AGRICULTURE

The Legislative Research Commission's Agribusiness Plant Variance & Agriculture Committee, chaired by Senator Jim Speed and Representative John Brown (with Representative Fred Bowman as the LRC member), was authorized to review the regulations affecting the land application of food processing byproducts and related issues affecting the disposition or reuse of such byproducts.

The Committee has met twice and has heard several food processing industries address the issue of food byproduct disposal, with the primary focus on the land application of these wastes. The Committee has reviewed the Environmental Management Commission's "sludge application" regulations, which require permits for the land application of food processing wastes, industrial wastes, and municipal sewage sludges. The Committee is reviewing proposed legislation that would exempt the land application of food processing byproducts from the permit requirement. The legislation, entitled AN ACT TO PERMIT LAND APPLICATION OF FOOD PROCESSING BYPRODUCTS, would exempt only those byproducts that are free of domestic, toxic, and hazardous wastes and are agronomically suited for land application. The Committee has also examined other methods of food byproduct disposal and reuse, including landfilling, rendering, and composting.

The Committee will meet again in late April to tour the Miller Brewery in Eden and a chicken food processing plant in Reidsville to view the types of food wastes generated at these facilities and their ultimate disposition. The Committee anticipates reporting to the short session either the above-referenced legislation or a similar proposal.

INSANITY--INSANITY VERDICT

Authorization: Chapter 802, §2.1, 1989 Session Laws (HB 1364, HB1372)

LRC Member in Charge:

Rep. J. Fred Bowman
814 N. Graham-Hopedale Road
Burlington, NC 27217
(919)228-7521

Members**President Pro Tem's Appointments**

Sen. T. LaFontine 'Fountain' Odom
Co-Chairman
1100 S. Tryon Street
Charlotte, NC 28203
(704)372-4800

Speaker's Appointments

Rep. Roy A. Cooper, III
Co-Chairman
P.O. Drawer 4538
Rocky Mount, NC 27803
(919)442-3115

Sen. Austin M. Allran
Box 2907
Hickory, NC 28603
(704)322-5437

Mr. Geoffrey Hulse
1313 Park Avenue B
Goldsboro, NC 27530
(919)736-2323

Sen. Wanda H. Hunt
P.O. Box 1335
Pinehurst, NC 28374
(919)295-3794

Sen. Helen R. Marvin
119 Ridge Lane
Gastonia, NC 28054
(704)864-2757

Sen. A. P. 'Sandy' Sands, III
P.O. Box 449
Reidsville, NC 27323-0449
(919)349-7041

Hon. Colon Willoughby
Wake County District Attorney
P.O. Box 31
Raleigh, NC 27602
(919)733-2600

Staff:
* H. Alan Pell
Research Division
919)733-2578

Ken Levenbook
Bill Drafting Division
(919)733-6660

Ms. Linda Cantrell
5620 Judy Lane
Winston-Salem, NC 27127
(919)764-2608

Rep. Theresa H. Esposito
207 Stanaford Road
Winston-Salem, NC 27104
(919)765-5176

Rep. David T. Flaherty, Jr.
228 Pennton Avenue, SW
Lenoir, NC 28645
(704)754-0961

Rep. Thomas C. Hardaway
P.O. Box 155
Enfield, NC 27823
(919)445-2371

Rep. E. David Redwine
P.O. Box 283
Shallotte, NC 28459
(919)754-4326

Rep. Frank E. Rhodes
4701 Whitehaven Road
Winston-Salem, NC 27106
(919)924-2878

Clerk:
Lucille Thompson
Legislative Building, Room 2202
O: (919)733-5752
H: (919)876-3916

INSANITY--INSANITY VERDICT

The Committee on the Insanity Verdict and Guilty But Insane Verdict met four times from November 1989 through March 1990, and will meet again in April, 1990.

At its initial meeting in November, the Committee reviewed the charge to the Committee and the bills which led to the study. The Committee discussed current North Carolina laws and also considered the report of the 1985 Criminal Code Revision Study Commission which had included proposed changes in the insanity defense laws.

At the January meeting, the Committee discussed the insanity defense and focused on the issue of adopting a "guilty but mentally ill" verdict. The Committee heard from the Attorney General's Office on the laws and cases concerning the insanity defense, and also received testimony from proponents for the mentally ill. The Committee also reviewed the insanity defense laws and civil commitment procedures adopted in other states.

At its February meeting, the Committee reviewed the "guilty but mentally ill" laws as they operate in 12 other jurisdictions, and discussed the issues relating to such verdicts. The Committee heard speakers on a case where a defendant was acquitted on four murder charges by reason of insanity. State mental health officials provided information on mental health services provided to incarcerated offenders, and the Committee heard from victims' rights advocates.

At the March meeting, the Committee heard speakers and discussed the involuntary civil commitment laws, and the proposed American Bar Association Standards for the commitment of offenders who have been found not guilty by reason of insanity. The Committee will convene its fifth meeting in April, and will focus on proposed changes to the involuntary civil commitment laws.

The Committee has reached some consensus that the laws pertaining to the civil commitment, release, and supervision of certain mentally ill offenders need to be revised. The Committee expects to continue their study and discussion of issues in further meetings, and will not report to the 1990 Session of the 1989 General Assembly.

II. CREDIT AND CONSUMER PROTECTION

FINANCIAL INSTITUTIONS--CREDIT CARD BANKS

Authorization: Chapter 802, §2.1, 1989 Session Laws (SB 377, HB 1910)

LRC Member in Charge:

Rep. Harold J. 'Bru' Brubaker
138 Scarboro Street
Asheboro, NC 27203
(919)629-5128

Members

President Pro Tem's Appointments

Sen. James C. 'Jim' Johnson, Jr.
Co-Chairman
247 Church Street, NE
Concord, NC 28025
(704)784-8404

Sen. Robert C. 'Bob' Carpenter
180 Georgia Road
Franklin, NC 28734
(704)524-5009

Mr. Robert Gage
305 College Street
Morganton, NC 28655
(704)438-4000

Sen. A. D. Guy
P.O. Box 340
Jacksonville, NC 28541-0340
(919)346-4171

Sen. Ralph A. Hunt
1005 Crete Street
Durham, NC 27707
(919)682-5259

Mr. John R. Jordan, Jr.
P.O. Box 2021
Raleigh, NC 27602
(919)828-2501

Sen. William W. 'Bill' Staton
P.O. Box 1320
Sanford, NC 27330
(919)775-5616

Speaker's Appointments

Rep. Joe H. Hege, Jr.
Co-Chairman
P.O. Box 833
Lexington, NC 27292
(704)249-9141

Rep. W. W. 'Dub' Dickson
718 Avondale Road
Gastonia, NC 28054
(704)864-1231

Rep. Lyons Gray
P.O. Box 10887
Winston-Salem, NC 27108-0887
(919)773-1600

Rep. Sidney A. Locks
200 Dupont Circle
Greenville, NC 27834
(919)752-7501

Rep. H. Clayton Loflin
1425 Medlin Road
Monroe, NC 28110
(704)289-4554

Rep. R. Eugene 'Gene' Rogers
908 Woodlawn Drive
Williamston, NC 27892
(919)792-2310

Rep. Edward N. 'Ed' Warren
227 Country Club Drive
Greenville, NC 27834
(919)758-1543

Staff:
Terrence D. Sullivan
Research Division
(919)733-2578

Clerk:
Cindy Coley
Legislative Building, Room 1403
O: (919)733-5788
H: (919)782-7437

FINANCIAL INSTITUTIONS--CREDIT CARD BANKS

The Legislative Research Commission's Committee on Credit Card Deregulation, Credit Card Banks, and Linked Deposit Programs has met three times. The following individuals and representatives of the following groups have testified before the Committee thus far during its deliberations: the State Banking Commissioner, the State Treasurer, the North Carolina Bankers Association (NCBA), the North Carolina Retail Merchants Association (NCRMA), the North Carolina League of Savings Institutions, the North Carolina Attorney General's Office's Consumer Protection Section, the North Carolina Association of Community Development Corporations, the North Carolina Legal Services Resource Center, Inc. (NCLSRC), the North Carolina Life Underwriters, the North Carolina Department of Insurance, the North Carolina League of Municipalities, and the North Carolina Association of County Commissioners; and Legal Services of the Cape Fear.

Linked Deposit Programs

Representatives of the North Carolina Legal Services Resource Center and others testified on programs ("linked deposit programs") in other states and localities which encourage private financial institutions receiving deposits of public funds to invest within the particular city or state. The NCLSRC presented information on the various types of linked deposit programs and recommended that the Committee consider these programs as a method to further public purposes by leveraging private funds without collecting additional revenue. The State Treasurer stated his opposition to linking of deposits of State and local governments in financial institutions on any basis other than the safety of principal and rate of return. A representative of the NCLSRC, at the February 1 meeting, proposed that an appropriation be made to hire one person in State government to track the investments in the State, by purpose and locale, made by depository institutions and to distribute that information to local governments in the State so that they may use that information in determining where to deposit their funds.

Deregulation of Revolving Credit and Credit Card Banks

Representatives of NCBA at the February 1, 1990 committee meeting recommended the complete deregulation of open-end revolving credit for domestic lenders, while retaining the 1 1/2% per month maximum (the so-called 18% per year) credit card rate for open end revolving credit for all others, and the establishment of credit card banks. At that same meeting, the representative of the NCRMA recommended for retail revolving credit, retaining the present grace period in which to repay loans without interest; raising of the interest chargeable from 1 1/2 to 1 3/4 % per month (the so-called 21% per year) with a minimum \$0.50 charge on the unpaid balance; imposing a late payment fee of 5% of the payment due or \$10, whichever is less, with a minimum payment of \$1; and granting the authority to contract for credit life, accident, health or loss of income insurance in any consumer credit sale. The elimination of the interest rate maximum, the grace period and the limitation of a \$20 maximum annual fee in the NCBA's proposal, and the raising in the interest maximum and minimum fee, the late charge, the authorization of solicitation and payment of certain insurance on consumer credit sales as proposed by the NCRMA were opposed by the Attorney General's Office and legal services representatives. At the last meeting on March 8, the representative of the NCRMA said that his association would ask the Committee to recommend to the 1990 Session only the first one of his earlier

recommendations, i.e. the raising of the interest rate in retail revolving credit from 18 to 21% with the minimum \$0.50 charge on the unpaid balance.

Report to 1990 Session

The Committee is scheduled to meet again on April 11 to consider whether to recommend that the Legislative Research Commission recommend the latest NCRMA proposal to the 1990 Session.

CONSUMER PROTECTION ISSUES AND THE ELDERLY

Authorization: Chapter 802, §2.1, 1989 Session Laws (SB 1261)

LRC Member in Charge:

Rep. Harold J. 'Bru' Brubaker
138 Scarboro Street
Asheboro, NC 27203
(919)629-5128

Members

President Pro Tem's Appointments

Sen. A. D. Guy
Co-Chairman
P.O. Box 340
Jacksonville, NC 28541-0340
(919)346-4171

Sen. Wanda H. Hunt
P.O. Box 1335
Pinehurst, NC 28374
(919)295-3794

Mr. Bentley Leonard
274 Merrimon Avenue
Asheville, NC 28801
(704)255-0456

Sen. T. LaFontine 'Fountain' Odom
1100 S. Tryon Street
Charlotte, NC 28203
(704)372-4800

Mr. Jim Parker
4137 Brewster Drive
Raleigh, NC 27606
(919)733-2220

Sen. Robert G. 'Bob' Shaw
P.O. Box 8101
Greensboro, NC 27419
(919)855-7533

Speaker's Appointments

Rep. John C. 'Pete' Hasty
Co-Chairman
P.O. Box 945
Maxton, NC 28364
(919)276-8680

Rep. Ruth M. Easterling
811 Bromley Road, Apt. #1
Charlotte, NC 28207
(704)377-6555

Rep. Bradford V. 'Brad' Ligon
Route 12, Box 460
Salisbury, NC 28144
(704)279-3059

Rep. Albert S. Lineberry, Sr.
P.O. Box 630
Greensboro, NC 27402
(919)272-5157/(919)288-1278

Rep. Coy C. Privette
306 Cottage Drive
Kannapolis, NC 28081
(704)933-3734

Mr. Frank Richardson
Anson Senior High School
P.O. Box 513
Wadesboro, NC 28170

Sen. James D. 'Jim' Speed
Route 6, Box 542
Louisburg, NC 27549
(919)853-2167

Rep. Barney P. Woodard
Box 5
Princeton, NC 27569
(919)936-3151

Staff:
Gann Watson
Bill Drafting Division
(919)733-6660

Clerk:
Lillie Pearce
Legislative Building, Room 1220
O: (919)733-5746
H: (919)876-3484

CONSUMER PROTECTION ISSUES AND THE ELDERLY

The Legislative Research Commission Study Committee on Consumer Protection is charged with studying consumer protection issues, including those affecting the elderly. The Committee met once in January and once in February and has scheduled a third meeting for March 21, 1990. At the January meeting the Committee heard about consumer protection issues in a variety of areas: price-gouging in the fuel and heating oil industries, home improvement scams, problems with professional competence and enforcement of standards in the home construction industry, and the relatively new Reverse Mortgage program which provides federally guaranteed home equity loans to elderly homeowners. The Committee also heard from staff of the Consumer Protection Division of the Attorney General's office, the Department of Insurance, and the Agricultural Extension Service regarding services they provide in the consumer protection area.

At its second meeting the Committee heard from representatives of the Code Officials Qualifications Board and the General Contractors Licensing Board in response to questions raised about how these Boards are carrying out their responsibilities to enforce laws and standards related to home construction. Given the seriousness of the concerns presented, the Committee has requested the State Auditor to conduct a performance audit of State established Boards whose duties and powers relate to home construction. After reviewing information obtained from the performance audit, the Committee will look again at concerns and recommendations offered by consumers, Board and professional association representatives, and the Attorney General's office, to determine what steps should be taken by the General Assembly to address the problems raised.

The March meeting will bring additional information to the Committee in areas that particularly effect the elderly, among which are home improvement scams, Reverse Mortgages, and mobile home warranties. The Committee also plans to review exemptions in the general contractor licensing statutes which may be problematic to consumers, and the avoidance by certain population groups of North Carolina's auto liability insurance requirements.

In view of the information provided to the Committee at the January and February meetings, the Committee believes that many of the issues raised are substantial and need further study by the Committee after the short session, funds permitting. For this reason the Committee does not intend to report to the May, 1990 Session.

III. ECONOMIC DEVELOPMENT AND TOURISM

STATE PORTS AUTHORITY AND INTERNATIONAL TRADE

Authorization: Chapter 802, §2.1, 1989 Session Laws (SJR 96, HB 133)

LRC Member in Charge:

Sen. Donald R. 'Don' Kincaid
P.O. Box 988
Lenoir, NC 28645
(704)758-5181

Members

President Pro Tem's Appointments

Sen. Robert L. 'Bob' Martin
Co-Chairman
P.O. Box 387
Bethel, NC 27812
(919)825-4361

Sen. Franklin L. 'Frank' Block
520 Princess Street
Wilmington, NC 28401
(919)763-3463

Sen. George B. Daniel
P.O. Box 179
Yanceyville, NC 27379-1108
(919)694-4363

Sen. Wendell H. Murphy
P.O. Box 280
Rose Hill, NC 28458
(919)289-2111

Mr. Joe M. Parker
310 S. Colony Avenue
Ahoskie, NC 27910
(919)332-2556

Mr. Bobby Porter
Route 2
Roseboro, NC 28382
(919)564-4138

Sen. Robert G. 'Bob' Shaw
P.O. Box 8101
Greensboro, NC 27419
(919)855-7533

Speaker's Appointments

Rep. Robert Grady
Co-Chairman
107 Jean Circle
Jacksonville, NC 28540
(919)353-3579

Rep. J. Vernon Abernethy
P.O. Box 38
Gastonia, NC 28053
(704)865-2906

Rep. Gerald L. Anderson
117 Creekview Road
New Bern, NC 28562
(919)633-5100

Rep. Howard B. Chapin
212 Smau Road
Washington, NC 27889
(919)946-3480

Rep. Lawrence E. 'Larry' Diggs
5001 Matthews - Mint Hill Road
Charlotte, NC 28212
(704)545-4966

Rep. E. David Redwine
P.O. Box 283
Shallotte, NC 28459
(919)754-4326

Rep. Clarence P. 'C. P.' Stewart
Route 3, Box 718
Lillington, NC 27546
(919)893-8966

Staff:
Sean Dail
Bill Drafting Division
(919)733-6660

Clerk:
Sarah Murphy
Room 525
Legislative Office Building
O: (919)733-5705
H: (919)828-6735

STATE PORTS AUTHORITY AND INTERNATIONAL TRADE

The Committee on the State Ports Authority and International Trade has met three times. At its first meeting in Raleigh and in a two-day meeting on the coast, the Committee heard from officials of the State Ports Authority and toured the ports facilities at both Wilmington and Morehead City. The Committee was provided with the financial history of the Ports Authority, told of projects which the Authority has planned for the future, and made aware of the Authority's funding needs for the 1991-92 biennium. The Committee also took the opportunity to view the equipment available at the ports facilities.

The Committee was also informed of an advisory council to the Ports Authority that has been formed of representatives of major international companies located in North Carolina. The goal of this advisory council is to suggest methods of attracting more North Carolina industry to the North Carolina ports. Finally, the Committee heard the views of groups interested in the welfare of the ports: the North Carolina Shipping Association, the Morehead City Ports Committee, and the Carteret County Economic Development Council and Chamber of Commerce.

The Committee devoted its third meeting, in Raleigh, to the issue of promoting international trade in North Carolina. The Committee heard from a representative of the Virginia Department of World Trade about the efforts of this newly-formed entity. A representative of the North Carolina World Trade Association informed the Committee of its activities. Finally, the Committee heard from the International Trade Division of the Department of Economic and Community Development, and the State Ports Authority told the Committee about its efforts overseas.

The Committee is not prepared to make recommendations at this time, and will report to the 1991 General Assembly.

TOURISM'S GROWTH AND EFFECT

Authorization: Chapter 802, §2.1, 1989 Session Laws (SB 297, HB 379)

LRC Member in Charge:
Sen. Donald R. 'Don' Kincaid
P.O. Box 988
Lenoir, NC 28645
(704)758-5181

Members

President Pro Tem's Appointments

Sen. Ted Kaplan
Co-Chairman
P.O. Box 729
Lewisville, NC 27023
(919)722-6713

Speaker's Appointments

Rep. Pryor A. Gibson
Co-Chairman
Route 2, Box 382
Wadesboro, NC 28170
(919)572-3761

Mr. Paul Comer, Executive Director
Fayetteville Area Convention
and Visitors Bureau
Fayetteville, NC 28302
(919)483-8133

Mr. James 'Jim' Fulghum
Executive Vice President
Eastern N.C. Chamber of Commerce
P.O. Drawer 757
Greenville, NC 27835
(919)237-5151

Sen. Donald R. 'Don' Kincaid
P.O. Box 988
Lenoir, NC 28645
(704)758-5181

Sen. Aaron W. Plyler, Sr.
2170 Concord Avenue
Monroe, NC 28110
(704)289-3541/(704)283-1293

Sen. Joseph B. 'Joe' Raynor
345 Winslow Street
Fayetteville, NC 28301
(919)483-5948

Sen. William W. 'Bill' Staton
P.O. Box 1320
Sanford, NC 27330
(919)775-5616

Staff:

* **Cathy Hubbard Fitzner**
Jill F. Cramer
Research Division
(919)733-2578

Rep. Marie W. Colton
392 Charlotte Street
Asheville, NC 28801
(704)253-7350

Rep. Narvel J. 'Jim' Crawford
15 Edgemont Road
Asheville, NC 28801
(704)252-6972

Rep. Robert Grady
107 Jean Circle
Jacksonville, NC 28540
(919)353-3579

Rep. John J. 'Jack' Hunt
Box 277
Lattimore, NC 28089
(704)482-7431

Rep. Annie B. Kennedy
3727 Spaulding Drive
Winston-Salem, NC 27105
(919)724-9207

Rep. Marty E. Kimsey
48-A Pine Lane
Franklin, NC 28734
(704)369-6822

Clerk:

Judy Britt
Room 523
Legislative Office Building
O: (919)733-5660
H: (919)772-8837

TOURISM'S GROWTH AND EFFECT

The Legislative Research Commission's Study Committee on Tourism's Growth and Effect held its organizational meeting on December 14, 1989. At that meeting the Committee reviewed tourism-related legislative action taken by the 1989 General Assembly and discussed tourism legislation that will be eligible for consideration during the 1990 Session. The Committee members familiarized themselves with the ongoing work of the Division of Travel and Tourism, Department of Economic and Community Development, and learned that the Division is preparing a marketing plan based on in-depth research of the travel and tourism industry, which will identify the Division's spending needs. The Committee also heard a presentation of some objectives of The Travel Council of North Carolina, Inc., which include establishing a tourism coalition; identifying a short list of legislative objectives for each legislative session; working toward an increase in the Division's promotional budget; requesting the creation of

standing committees on tourism in both the House and Senate; and supporting efforts to establish a statutory tourism commission.

The Committee has not met again but plans to hold additional meetings prior to the 1991 Session. The Committee will not report to the 1990 Session of the General Assembly.

WORKER TRAINING TRUST FUND

Authorization: Chapter 802, §2.1, 1989 Session Laws (SB 271)

LRC Member in Charge:

Sen. Donald R. 'Don' Kincaid
P.O. Box 988
Lenoir, NC 28645
(704)758-5181

Members

President Pro Tem's Appointments

Sen. Joseph B. 'Joe' Raynor
Co-Chairman
345 Winslow Street
Fayetteville, NC 28301
(919)483-5948

Sen. Howard F. Bryan
P.O. Box 1654
Statesville, NC 28677
(704)873-0501

Mr. Glenn Jernigan
P.O. Box 1863
Fayetteville, NC 28302
(919)323-0415

Sen. David R. Parnell
P.O. Box 100
Parkton, NC 28371
(919)858-3521

Mr. Christopher 'Chris' Scott
N.C. AFL-CIO
P.O. Box 10805
Raleigh, NC 27605
(919)833-6678

Sen. R. C. Soles, Jr.
P.O. Box 6
Tabor City, NC 28463
(919)653-2015

Speaker's Appointments

Rep. W. Eugene 'Gene' Wilson
Co-Chairman
704 Queen Street
Boone, NC 28607
(704)264-8657

Rep. Howard B. Chapin
212 Smaw Road
Washington, NC 27889
(919)946-3480

Rep. Billy J. Creech
P.O. Box 148
Wilson's Mills, NC 27593
(919)934-6586

Rep. Ruth M. Easterling
811 Bromley Road, Apt. #1
Charlotte, NC 28207
(704)377-6555

Rep. Vernon G. James
Route 4, Box 251
Elizabeth City, NC 27909
(919)330-5561

Rep. Albert S. Lineberry, Sr.
P.O. Box 630
Greensboro, NC 27402
(919)272-5157/(919)288-1278

Sen. Russell G. Walker
1004 Westmont Drive
Asheboro, NC 27203
(919)625-2574

Ms. Deborah B. Warren
Legal Services of N.C., Inc.
112 S. Blount Street
P.O. Box 27343
Raleigh, NC 27611
(919)832-2046

Staff:
Bill Gilkeson
Research Division
(919)733-2578

Clerk:
Nancy Pulley
Legislative Building, Room 2005
O: (919)733-5623
H: (919)851-3241

WORKER TRAINING TRUST FUND

The Study Committee on the Worker Training Trust Fund was charged with studying uses to which the Fund should be put. The Fund was created by the 1987 General Assembly as a repository for interest from unemployment-insurance taxes retained by the State rather than forwarded to Washington. The money in the Fund is to be allocated by the General Assembly for (1.) local offices of the Employment Security Commission, (2.) job training to deal with unemployment, or (3.) refunds to employers.

The Study Committee was informed at its first meeting December 14 that there will be \$9.6 million in the Fund at the beginning of the 1990-91 Fiscal Year, with \$6.7 million of that money already obligated by the 1989 General Assembly. The \$6.7 million was allocated this way:

- * \$4.5 million to ESC to keep local offices running at 1986-87 level of service.
- * \$1.2 million to ESC for a Worker Readjustment Program for rapid response to layoffs.
- * \$1 million to the Department of Community Colleges for the Focused Industrial Training Program to help employers update the skills of their workers.

That would leave about \$2.9 million unallocated money available for the General Assembly to spend at the beginning of FY 1990-91.

In the course of its first four meetings, the Committee heard the following proposals for expenditure of Fund money for FY 1990-91:

- * \$2.1 million in additional money for ESC for local offices, based on an expected cutback in federal funding.
- * \$3 million for the Employment and Training Division of the Department of Economic and Community Development for a 3-part jobs program.
- * \$1.5 million in additional money for the Community Colleges for Focused Industrial Training.
- * \$1.5 million to the Department of Public Instruction for vocational education.
- * \$550,000 to the Department of Labor for customized training, a pilot program.

* \$2.4 million to the Department of Human Resources to provide employment assistance to welfare recipients as part of a federal program that involves a 2:1 draw-down of federal funds for every State dollar spent.

The Committee scheduled further meetings for April 9 and April 23 to finalize recommendations to the short session.

IV. GOVERNMENT EMPLOYEES BENEFITS

PUBLIC EMPLOYEE DAY CARE/MEDICAL/DENTAL BENEFITS

Authorization: Chapter 802, §2.1, 1989 Session Laws

LRC Member in Charge:

Rep. James W. 'Jim' Crawford, Jr.
509 College Street
Oxford, NC 27565
(919)693-6119

Members

President Pro Tem's Appointments

Sen. Wanda H. Hunt
Co-Chair
P.O. Box 1335
Pinehurst, NC 28374
(919)295-3794

Sen. Austin M. Allran
Box 2907
Hickory, NC 28603
(704)322-5437

Sen. A. P. 'Sandy' Sands, III
P.O. Box 449
Reidsville, NC 27323-0449
(919)349-7041

Sen. J. K. Sherron, Jr.
4208 Six Forks Road, Suite 302
Raleigh, NC 27609
(919)781-8721

Mr. George Silver
206 Maplewood Drive
Goldsboro, NC 27530
(919)751-2821

Sen. Thomas F. 'Tom' Taft
P.O. Box 566
Greenville, NC 27835
(919)752-2000

Sen. Marvin M. Ward
641 Yorkshire Road
Winston-Salem, NC 27106
(919)724-9104

Speaker's Appointments

Rep. Milton F. 'Toby' Fitch, Jr.
Co-Chair
615 E. Nash Street
Wilson, NC 27893
(919)291-6500

Rep. Stephen G. 'Steve' Arnold
1610 Bridges Drive
High Point, NC 27260
(919)887-8383

Rep. Charlotte A. Gardner
1500 W. Colonial Drive
Salisbury, NC 28144
(704)636-5775

Rep. James P. Green, Sr., MD
P.O. Box 1739
Henderson, NC 27536
(919)492-2161

Mr. George Knight
Southern Correctional Center
P.O. Box 786
Troy, NC 27371
(919)572-3784

Rep. R. M. 'Pete' Thompson, Sr.
P.O. Box 351
Edenton, NC 27932
(919)482-8431

Rep. Peggy Wilson
214 W. Hunter Street
Madison, NC 27025
(919)548-6075

Staff:

* Linda Kimbell
Research Division
(919)733-2578

Gerry Cohen
Bill Drafting Division
(919)733-6660

Stanley Moore
Fiscal Research
(919)733-4910

Clerk:

Claire Reimers
Legislative Building, Room 1415
O: (919)733-6659
H: (919)787-3674

PUBLIC EMPLOYEE DAY CARE/MEDICAL/DENTAL BENEFITS

The LRC on Public Employees' Medical and Dental Benefits and Day Care has had three meetings: on January 12, February 1, and March 15, 1990. The next meeting is scheduled for April 12, 1990. At this meeting, the Committee will consider legislation to be introduced and recommendations to be made to the 1990 Session of the General Assembly.

The Committee has focused its attention on the issues of containment of costs of prescription drug reimbursement under the State Employees' Health Plan and incorporating a dental benefit into the Plan. At its first meeting, the Committee heard from the Executive Administrator of the Health Plan on proposals made to the 1989 Session for mandatory dental insurance and a mail order prescription drug program as changes to the Plan.

On the subject of prescription drug costs, the Committee heard from representatives of the NC Pharmacy Network on a prescription reimbursement proposal using an employee drug card to be honored by participating community pharmacies. The Committee also heard from a representative of the Managed Care Pharmacy Association on mail order prescription services.

The NC Dental Society made a presentation on direct reimbursement of dental expenses. A representative of Delta Dental addressed the Committee on custom-tailoring a mandatory dental insurance program.

On the subject of day care, the committee heard an update on progress toward implementing the dependent care payroll deduction plan authorized by the 1989 General Assembly. The Department of Human Resources spoke on the activities of the Day Care Task Force.

In addition to the above, the Committee heard information on the health benefits offered by other states to their employees and how other states reimburse prescription drug expenses.

FIREFIGHTER BENEFITS

Authorization: Chapter 752, §43, 1989 Session Laws (SB 44)

LRC Member in Charge:

Rep. James W. 'Jim' Crawford, Jr.
509 College Street
Oxford, NC 27565
(919)693-6119

Members

President Pro Tem's Appointments

Sen. Frank W. Ballance, Jr.
Co-Chairman
P.O. Box 616
Warrenton, NC 27589
(919)257-1012

Mr. Richard Bennett
111 Hilldale Lane
Goldsboro, NC 27530
(919)734-4488

Mr. Jerry A. Brooks
6010 Bluebonnet Lane
Winston-Salem, NC 27103
(919)766-4114

Sen. Robert C. 'Bob' Carpenter
180 Georgia Road
Franklin, NC 28734
(704)524-5009

Sen. James C. 'Jim' Johnson, Jr.
247 Church Street, NE
Concord, NC 28025
(704)784-8404

Sen. James D. 'Jim' Speed
Route 6, Box 542
Louisburg, NC 27549
(919)853-2167

Sen. Robert S. 'Bob' Swain
612 Northwestern Bank Building
Asheville, NC 28801
(704)255-7703

Staff:
Doug Carter
Fiscal Research Division
(919)733-4910

Speaker's Appointments

Rep. E. A. 'Alex' Warner, Jr.
Co-Chairman
3610 Frierson Street
Hope Mills, NC 28348
(919)424-5350

Rep. Ray C. Fletcher
P.O. Box 68
Valdese, NC 28690
(704)874-0701

Rep. Pryor A. Gibson
Route 2, Box 382
Wadesboro, NC 28170
(919)572-3761

Rep. Howard J. Hunter, Jr.
P.O. Box 506
Murfreesboro, NC 27855
(919)398-5630

Rep. Marty E. Kimsey
48-A Pine Lane
Franklin, NC 28734
(704)369-6822

Rep. Doris L. Lail
904 S. Aspen Street
Lincolnton, NC 28092
(704)735-3868

Rep. W. Eugene 'Gene' Wilson
704 Queen Street
Boone, NC 28607
(704)264-8657

Clerk:
Becky Hedspeth
Legislative Building, Room 2303
O: (919)733-5608
H: (919)851-4603

FIREFIGHTER BENEFITS

The Legislative Research Commission Study Committee on Firemen's Benefits has met twice and heard from: The N.C. State Firemen's Association, The Department of Insurance, The State Auditor, the Local Government Retirement System and the Industrial Commission concerning benefits that are currently available to firefighters. The Committee also heard from a number of Fire Chiefs and Treasurers of Local Relief Funds regarding the purposes for which the relief funds are spent. The Insurance

Department indicated a possible source of funds to provide additional benefits to firefighters. A request was heard for additional benefits for paid firemen.

Two subcommittees were established to study the issues regarding Local and State Relief Funds and State Pension Fund and report their recommendations for changes back to the full Committee.

The Committee will not make a report for the 1990 Session.

V. GOVERNMENT REGULATION

SOLID WASTE MANAGEMENT

Authorization: Chapter 802, §2.1, 1989 Session Laws (SJR 112, SB 1214, HB 1045)

LRC Member in Charge:

Sen. Robert L. 'Bob' Martin
P.O. Box 387
Bethel, NC 27812
(919)825-4361

Members

President Pro Tem's Appointments

Sen. Lura S. Tally
Co-Chair
3100 Tallywood Drive
Fayetteville, NC 28303
(919)484-4868

Sen. Richard E. Chalk, Jr.
427 Wright Street
High Point, NC 27262
(919)883-0444

Sen. J. Richard Conder
1401 Carolina Drive
Rockingham, NC 28379
(919)997-5551

Mr. Charles H. Edwards
P.O. Box 295
Lewiston Woodville, NC 27849
(919)348-2332

Sen. James C. 'Jim' Johnson, Jr.
247 Church Street, NE
Concord, NC 28025
(704)784-8404

Sen. James D. 'Jim' Speed
Route 6, Box 542
Louisburg, NC 27549
(919)853-2167

Sen. Thomas F. 'Tom' Taft
P.O. Box 566
Greenville, NC 27835
(919)752-2000

Speaker's Appointments

Rep. Harry C. Grimmer
Co-Chair
4000 High Ridge Road
Charlotte, NC 28226
(704)847-8823

Rep. Daniel H. 'Danny' DeVane
P.O. Drawer 500
Raeford, NC 28376-0500
(919)875-2528

Rep. David H. Diamont
P.O. Box 784
Pilot Mountain, NC 27041
(919)368-4591

Rep. Lawrence E. 'Larry' Diggs
5001 Matthews - Mint Hill Road
Charlotte, NC 28212
(704)545-4966

Rep. Joe Hackney
P.O. Box 1329
Chapel Hill, NC 27514
(919)929-0323

Rep. Bradford V. 'Brad' Ligon
Route 12, Box 460
Salisbury, NC 28144
(704)279-3059

Rep. H. M. 'Mickey' Michaux, Jr.
P.O. Box 2152
Durham, NC 27702
(919)596-8181

Staff:

* Susan Iddings
Bill Drafting Division
(919)733-6660

Sherri Evans-Stanton
George F. Givens
Research Division
(919)733-2578

Clerk:

Surena Henderson
Room 520
Legislative Office Building
O: (919)733-5748
H: (919)448-3131

SOLID WASTE MANAGEMENT

The Legislative Research Commission Study Committee on the Development of a State Strategy for the Management of Solid Waste and Infectious Wastes met five times. The Committee reviewed the progress in the Departments of Environment, Health, and Natural Resources; Administration; Economic and Community Development; and State Transportation in implementing enacted Senate Bill 111, Chapter 784 of the 1989 Session Laws. Senate Bill 111 was well received by the local governments, the effected State agencies, and the public. Senate Bill 111 requires the State and local governments to develop comprehensive solid waste management plans; it also emphasizes recycling and other alternatives to landfilling as a method of managing solid waste, but it contains no funding mechanism to implement the legislation. The following subjects were also discussed: a statewide waste stream analysis, as provided in Sec. 28 of Chapter 799 of the 1989 Session Laws; the extent of local recycling efforts to date; composting as a method of managing solid waste; the North Carolina Agricultural Extension Service's possible role in solid waste management education; ways and means of financing solid waste programs; the availability of petroleum overcharge funds and the conditions to receive approval to use these funds for solid waste management projects; a State procurement policy; markets for recycled goods; staff needs within the Solid Waste Section; and Senate Bills 58, 113, and 114, which passed the Senate during the 1989 Session.

The Committee made the following findings:

1. The ability to implement Senate Bill 111 is seriously jeopardized unless the staff of the Solid Waste Section is expanded.
2. The Legislative Research Commission recommended that the 1989 General Assembly enact Senate Bills 58, 113, and 114. These bills are eligible for further consideration by the 1990 General Assembly. The need for these bills still exists.

Therefore, the Committee recommends that the 1990 General Assembly:

1. Appropriate sufficient funds to provide and support twenty additional positions in the Solid Waste Section.
2. Designate the Solid Waste Section as the central clearinghouse for information regarding solid waste management (Senate Bill 58).
3. Clarify the authority of counties and cities to adopt certain ordinances regulating local solid waste management (Senate Bill 113).
4. Provide that a county landfill that is a public enterprise have conditional authority to charge a municipality located in that county a solid waste disposal fee (Senate Bill 114).

EDUCATION--PROPRIETARY SCHOOLS

Authorization: Chapter 802, §2.1, 1989 Session Laws (SB 954)

LRC Member in Charge:
Sen. Robert L. 'Bob' Martin
P.O. Box 387
Bethel, NC 27812
(919)825-4361

Members

Pres. Pro Tem's Appointments

Sen. William N. 'Bill' Martin
Co-Chairman
P.O. Box 21363
Greensboro, NC 27420
(919)373-1108

Sen. Richard E. Chalk, Jr.
427 Wright Street
High Point, NC 27262
(919)883-0444

Sen. J. Richard Conder
1401 Carolina Drive
Rockingham, NC 28379
(919)997-5551

Sen. James E. 'Jim' Ezzell, Jr.
P.O. Box 8225
Rocky Mount, NC 27804-1225
(919)443-1505

Ms. Nina Freeman
107 King Circle
Louisburg, NC 27549
(919)496-5322

Sen. James F. 'Jim' Richardson
1739 Northbrook Drive
Charlotte, NC 28216
(704)399-1555

Sen. Lura S. Tally
3100 Tallywood Drive
Fayetteville, NC 28303
(919)484-4868

Staff:
Sarah Fuerst
Bill Drafting Division
(919)733-6660

Speaker's Appointments

Rep. Michael P. 'Mike' Decker
Co-Chairman
6011 Bex Hill Drive
Walkertown, NC 27051
(919)595-4864

Rep. Gordon H. Greenwood
P.O. Box 487
Black Mountain, NC 28711
(704)669-7961

Rep. John B. McLaughlin
P.O. Box 158
Newell, NC 28126
(704)596-0845

Rep. Edd Nye
P.O. Box 8
Elizabethtown, NC 28337
(919)862-3679

Rep. John L. Tart
Route 1, Box 125-A
Goldsboro, NC 27530
(919)934-0200

Rep. Lois S. Walker
611 Woods Drive
Statesville, NC 28677
(704)873-2221

Mrs. Rachel Wright
556 Glörenia Street
Eden, NC 27288
(919)623-2881

Clerk:
Connie Altman
Legislative Building, Room 2007
O: (919)733-5658
H: (919)859-2536

EDUCATION--PROPRIETARY SCHOOLS

The Committee on Proprietary Schools has met three times and plans to meet two additional times before it makes its interim report to the Legislative Research Commission. The Committee heard from representatives of State agencies that regulate proprietary schools about the current regulatory scheme and about the regulators' recommendations for improving it. The current regulatory scheme includes the Board of Governors of The University of North Carolina, which regulates all instruction at the associate degree level and above for nonpublic institutions; the Department of Community Colleges, which regulates instruction below the level of associate degree; the State Board of Nursing, which regulates instruction related to licensure as a Licensed Practical Nurse, a Registered Nurse, and other nursing occupations; the Board of Cosmetic Arts, which regulates instruction leading to licensure as a cosmetologist; the Division of Motor Vehicles, which regulates instruction leading to approval as a commercial truck driver; and the Board of Barber Examiners, which regulates instruction leading to licensure as a barber. The Committee also heard from representatives of proprietary schools and their professional organizations regarding the operation of the schools, the current regulatory scheme, and their recommendations for improving it. The Committee also heard from proprietary school students and their parents regarding problems they had had at various proprietary schools.

The Committee plans to make an interim report to the Regular 1990 Session of the 1989 General Assembly. Its recommendations may involve three issues - technical changes to the statute under which the Department of Community Colleges regulates proprietary schools; an increase in the bond requirement for most schools operating in North Carolina; and additional funding, from an increase of fees or otherwise, to enable the regulators to do a better job in enforcing the law.

If the Committee's recommendations involve each of these three issues, the Committee is likely to recommend three bills, an appropriations bill and two substantive bills, to the Regular 1990 Session of the 1989 General Assembly.

ADMINISTRATIVE PROCEDURE ACT RULEMAKING PROCESS

Authorization: Chapter 802, §2.1, 1989 Session Laws (SB 535, SJR 1003, HB 1459)

LRC Member in Charge:

Sen. Robert L. 'Bob' Martin
P.O. Box 387
Bethel, NC 27812
(919)825-4361

Members

President Pro Tem's Appointments

Sen. Joseph E. 'Joe' Johnson
Co-Chairman
P.O. Box 31507
Raleigh, NC 27622
(919)787-5200

Sen. William H. 'Bill' Barker
P.O. Box 1339
New Bern, NC 28560
(919)638-1901

Speaker's Appointments

Rep. Donald M. 'Don' Dawkins
Co-Chairman
P.O. Box 757
Rockingham, NC 28379
(919)895-6331

Rep. Daniel T. 'Dan' Blue, Jr.
P.O. Box 1730
Raleigh, NC 27602
(919)833-1931

Sen. Franklin L. 'Frank' Block
520 Princess Street
Wilmington, NC 28401
(919)763-3463

Hon. Charles W. 'Charlie' Hipps
505 N. Main Street
Waynesville, NC 28786
(704)452-2866

Mr. Ralph McDonald
P.O. Box 12865
Raleigh, NC 27605-2865
(919)828-0731

Sen. A. P. 'Sandy' Sands, III
P.O. Box 449
Reidsville, NC 27323-0449
(919)349-7041

Sen. Daniel R. 'Dan' Simpson
P.O. Drawer 1329
Morganton, NC 28655
(704)437-9744

Staff:
* Barbara Riley
Research Division
(919)733-2578

Louise Young
Fiscal Research Division
(919)733-4910

Rep. Roy A. Cooper, III
P.O. Drawer 4538
Rocky Mount, NC 27803
(919)442-3115

Rep. David T. Flaherty, Jr.
228 Pennton Avenue, SW
Lenoir, NC 28645
(704)754-0961

Rep. J. Arthur 'Art' Pope
3401 Gresham Lake Road
Raleigh, NC 27615
(919)876-6000

Rep. Johnathan L. Rhyne, Jr.
P.O. Box 38
Lincolnton, NC 28093-0038
(704)735-1423

Rep. Sharon A. Thompson
P.O. Box 2164
Durham, NC 27701
(919)688-9646

Clerk:
Blanche Critcher
Legislative Building, Room 2001
O: (919)733-5651
H: (919)942-6932

ADMINISTRATIVE PROCEDURE ACT RULEMAKING PROCESS

The Legislative Research Commission Study Committee on the Administrative Procedure Act has met twice. The initial meeting, January 8, 1990, was organizational in nature and the Committee heard an overview of the major agencies involved: the Office of Administrative Hearings (OAH) and the Administrative Rules Review Commission (ARRC). Per the request of the Co-chairmen, after the meeting, the speakers submitted written comments outlining issues for the Committee to consider. At the second meeting, March 2, 1990, the Committee addressed a number of issues including final agency decisionmaking by OAH, the simplification of the rulemaking process, and agencies exempt from the rulemaking provisions of the Administrative Procedure Act (Article 2) and rules review under the ARRC. Another important issue addressed by the Committee was the whether the ARRC should have expanded authority to deal with proposed agency rules which lack adequate statutory authority.

In future meetings the Committee will be looking at the relative efficiency and cost-effectiveness of having the North Carolina Register published by the Secretary of State's Office. The Committee has also directed staff to prepare draft bills for consideration at its next meeting which will be held after the short session.

The Committee has no recommendations at this time and will report to the 1991 General Assembly.

VI. GOVERNMENTAL CAPITAL ASSETS, CONTRACTING, AND FUNCTIONING

MINORITY BUSINESS CONTRACTS

Authorization: Chapter 802, §2.1, 1989 Session Laws (SB 927, HJR 1514)

Members

President Pro Tem's Appointments

Sen. Ralph A. Hunt
Co-Chairman (LRC Member in Charge)
1005 Crete Street
Durham, NC 27707
(919)682-5259

Sen. N. Leo Daughtry
141 N. 2nd Street
Smithfield, NC 27577
(919)934-7265

Sen. Robert L. 'Bob' Martin
P.O. Box 387
Bethel, NC 27812
(919)825-4361

Sen. William N. 'Bill' Martin
P.O. Box 21363
Greensboro, NC 27420
(919)373-1108

Mr. Bob Quinn, Assistant Director
Neuse River Council of Governments
P.O. Box 1717
New Bern, NC 28560
(919)638-3185

Sen. J. K. Sherron, Jr.
4208 Six Forks Road, Suite 302
Raleigh, NC 27609
(919)781-8721

Hon. Wilma C. Woodard
P.O. Box 189
Garner, NC 27529
(919)772-2339

Staff:

* Bill Gilkeson
Research Division
(919)733-2578

Speaker's Appointments

Rep. Thomas C. Hardaway
Co-Chairman
P.O. Box 155
Enfield, NC 27823
(919)445-2371

Rep. Charles F. 'Monroe' Buchanan
Route 1, Box 273
Green Mountain, NC 28740
(704)688-3544

Rep. W. Pete Cunningham
3121 Valleywood Place
Charlotte, NC 28216
(704)394-9499

Rep. Harry C. Grimmer
4000 High Ridge Road
Charlotte, NC 28226
(704)847-8823

Rep. Howard J. Hunter, Jr.
P.O. Box 506
Murfreesboro, NC 27855
(919)398-5630

Rep. Annie B. Kennedy
3727 Spaulding Drive
Winston-Salem, NC 27105
(919)724-9207

Rep. Timothy N. 'Tim' Tallent
230 Palaside Drive, NE
Concord, NC 28025
(704)782-5983

Clerk:

Janet Puryear
Legislative Building, Room 2009
O: (919)733-5963
H: (919)552-8224

Beth Christensen
Fiscal Research Division
(919)733-4910

MINORITY BUSINESS CONTRACTS

The Committee is charged with conducting a study based on:

- * Senate Bill 927, which proposed a 10% goal for participation by minority businesses in all State contracts; and
- * House Joint Resolution 1514, which proposed a study of coordination and duplication in small business assistance programs.

The Committee has met three times. It has focused thus far on participation by minorities, females, the disabled, and small businesses in public contracts. The co-chairmen hope to coordinate the study of small business assistance programs with a performance audit of the same topic that is now being conducted by the Office of the State Auditor.

In its study of participation in public contracts by the various categories of disadvantaged businesses, the Committee has done the following:

- * Examined the various goals programs that are now in place for public contracts, most prominently the 10% goals that the 1989 General Assembly enacted for construction contracts in public buildings and highways, and the Governor's 4% goals program for procurement of goods and services in his Cabinet departments.
- * Requested and received an Attorney General's opinion on the constitutionality of North Carolina's goals approach in light of the U.S. Supreme Court's decision in the case of City of Richmond v. Croson. The Attorney General stated that goals provisions are constitutional on their face.
- * Received reports on participation by the various categories of disadvantaged businesses in public contracts. The Office of Purchase and Contract reported on the data it has collected from the Governor's Cabinet departments, and the legislative staff conducted its own survey of all State agencies. One of the chief findings of the surveys was the spottiness of available data.
- * Heard from spokespersons of groups affected by the government decisions on participation and goals: minority business, women, the disabled, contractors, small business, local government.

At its third meeting, on March 20, the Committee tentatively approved a proposal by the Co-Chairmen that the Committee recommend to the short session a bill to empower the Office of Purchase and Contract to collect and report data on participation by minorities, women, the disabled, and small businesses from all state agencies and from local school boards. The bill would enable the Office to provide a service that it provided during the 1987-88 fiscal year, but has not provided since that time for anything beyond the Cabinet departments. The Committee has scheduled a fourth meeting on April 17 to make a final decision on a recommendation to the short session.

STATE CAPITAL ASSETS AND IMPROVEMENTS

Authorization: Chapter 802, §2.1, 1989 Session Laws (SB 1240)

LRC Member in Charge:

Sen. Ralph A. Hunt
1005 Crete Street
Durham, NC 27707
(919)682-5259

Members

President Pro Tem's Appointments

Sen. J. K. Sherron, Jr.
Co-Chairman
4208 Six Forks Road, Suite 302
Raleigh, NC 27609
(919)781-8721

Sen. Betsy L. Cochrane
Box 517
Advance, NC 27006
(919)998-8893

Sen. George B. Daniel
P.O. Box O
Yanceyville, NC 27379-1108
(919)694-4363

Mr. Elton Edwards
201 W. Market Street, Suite #409
Greensboro, NC 28401
(919)373-8764

Sen. William D. 'Bill' Goldston, Jr.
P.O. Box 307
Eden, NC 27288
(919)627-1495

Mrs. Louise McCall
2531 Confederate Drive
Wilmington, NC 28405
(919)392-1440

Sen. William W. 'Bill' Staton
P.O. Box 1320
Sanford, NC 27330
(919)775-5616

Speaker's Appointments

Rep. George M. Holmes
Co-Chairman
Route 1, Box 14
Hamptonville, NC 27020
(919)468-2401

Rep. Daniel T. 'Dan' Blue, Jr.
P.O. Box 1730
Raleigh, NC 27602
(919)833-1931

Mr. Anthony E. Foriest
1831 Broadway Drive
Graham, NC 27253
(919)227-3011

Rep. Walter B. Jones, Jr.
P.O. Box 668
Farmville, NC 27828
(919)753-2549

Rep. Leo Mercer
115 Miller Street
Chadbourn, NC 28431
(919)654-3518

Rep. W. Eugene 'Gene' Wilson
704 Queen Street
Boone, NC 28607
(704)264-8657

Rep. Betty H. Wiser
404 Dixie Trail
Raleigh, NC 27607
(919)821-3818

Staff:
Giles Perry
Research Division
(919)733-2578

Linda Powell
Fiscal Research Division
(919)733-4910

Clerk:
Judy Britt
Room 523
Legislative Office Building
O: (919)733-5660
H: (919)772-8837

STATE CAPITAL ASSETS AND IMPROVEMENTS

The LRC State Capital Assets and Improvements Study Committee met for its first meeting on Tuesday February 13, 1990. At this meeting, the State Construction Office made a presentation on its new Facilities Condition Assessment Program, and the State Property Office gave an overview and explanation of its functions. The next meeting of the Committee is scheduled for April 18, 1990. The preliminary agenda of that meeting includes presentations by the Office of State Budget, the Secretary of the Department of Administration, and information on the efforts of other states to identify and fund maintenance and repair of state buildings. The committee has not yet discussed any proposed legislation, does not currently plan to report to the short session, and may report to the 1991 session.

VII. HUMAN RESOURCES

REST HOMES, ICF AND SNF FACILITIES

Authorization: Chapter 802, §2.1, 1989 Session Laws (HJR 173)

LRC Member in Charge:

Sen. Russell G. Walker
1004 Westmont Drive
Asheboro, NC 27203
(919)625-2574

Members

President Pro Tem's Appointments

Sen. George B. Daniel
Co-Chair
P.O. Box O
Yanceyville, NC 27379-1108
(919)694-4363

Sen. William H. 'Bill' Barker
P.O. Box 1339
New Bern, NC 28560
(919)638-1901

Mrs. Judy Harrison
Florence Crittenton Home
P.O. Box 36392
Charlotte, NC 28236
(704)372-4663

Sen. Robert L. 'Bob' Martin
P.O. Box 387
Bethel, NC 27812
(919)825-4361

Sen. James F. 'Jim' Richardson
1739 Northbrook Drive
Charlotte, NC 28216
(704)399-1555

Hon. Mary P. Seymour
1105 Pender Lane
Greensboro, NC 27408
(919)288-5631

Sen. Paul S. Smith
P.O. Box 916
Salisbury, NC 28145
(704)633-9463

Speaker's Appointments

Rep. Theresa H. Esposito
Co-Chair
207 Stanaford Road
Winston-Salem, NC 27104
(919)765-5176

Rep. Howard C. Barnhill
2400 Newland Road
Charlotte, NC 28216
(704)392-4754

Rep. Charles L. Cromer
Route 4, Box 362
Thomasville, NC 27360
(919)472-5111

Rep. Liston B. Ramsey
Box 337, Walnut Creek Road
Marshall, NC 28753
(704)649-3961

Mr. James E. Raynor
Heritage Hospital
111 Hospital Drive
Tarboro, NC 27886

Rep. Paul B. 'Skip' Stam, Jr.
714 Hunter Street
Apex, NC 27502
(919)362-8873

Rep. Betty H. Wiser
404 Dixie Trail
Raleigh, NC 27607
(919)821-3818

Staff:
John Young
Research Division
(919)733-2578

Manny Marbet
Fiscal Research Division
(919)733-4910

Clerk:
Sarah Murphy
Room 525
Legislative Office Building
O: (919)733-5705
H: (919)828-6735

REST HOMES, ICF AND SNF FACILITIES

The 1989 General Assembly continued the authorization of the Legislative Research Commission's Committee on Care Provided by Rest Homes, Intermediate Care Facilities, and Skilled Nursing Homes; and Necessity for Certificate of Need; and Continuing Care Issues. This Study was first authorized by the 1987 Session of the General Assembly. The Committee met once in Raleigh on January 4, 1990 and once in Burlington on February 15, 1990. There is a third meeting scheduled for April 5, 1990. These three meetings have been planned to give the members some understanding of the very complex administrative and statutory structure that the state and federal governments have developed to try to insure availability, access and quality of care for North Carolinians in long term care facilities. The meetings have focused on the regulatory process for nursing homes and rest homes. To understand this process better, the Committee visited a nursing home in Burlington.

Now that some background has been developed, the Committee will begin to investigate specific issues such as the placement and adequacy of the regulatory process for rest homes and the separation of residents with mental illness from the frail elderly in rest homes. The Committee has no recommendations at this time and will report to the 1991 Session of the General Assembly.

HEALTH CARE/INSURANCE COSTS ISSUES

Authorization: Chapter 802, §2.1, 1989 Session Laws (HB 202, HB 961, SB 1068, HJR 1159, HB 1187, HB 1014, HB 1242)

LRC Member in Charge:
Sen. Russell G. Walker
1004 Westmont Drive
Asheboro, NC 27203
(919)625-2574

Members

President Pro Tem's Appointments

Sen. William H. 'Bill' Barker
Co-Chairman
P.O. Box 1339
New Bern, NC 28560
(919)638-1901

Speaker's Appointments

Rep. R. D. 'Don' Beard
Co-Chairman
2918 Skye Drive
Fayetteville, NC 28303
(919)484-9935

Sen. Frank W. Ballance, Jr.
P.O. Box 616
Warrenton, NC 27589
(919)257-1012

Mr. Preston N. Comeaux, III
Wayne Memorial Hospital
2700 Wayne Memorial Drive
Goldsboro, NC 27530
(919)736-1110

Sen. Joseph E. 'Joe' Johnson
P.O. Box 31507
Raleigh, NC 27622
(919)787-5200

Sen. Helen R. Marvin
119 Ridge Lane
Gastonia, NC 28054
(704)864-2757

Ms. Catherine Perkinson
312 Kensington Drive
Tarboro, NC 27886
(919)823-3020

Sen. Paul S. Smith
P.O. Box 916
Salisbury, NC 28145
(704)633-9463

Staff:
* Cathy Hubbard Fitzner
Linda Kimbell
Research Division
(919)733-2578

Sam Byrd
Fiscal Research Division
(919)733-4910

Rep. Bobby H. Barbee, Sr.
P.O. Box 656
Locust, NC 28097
(704)888-4423

Rep. John T. Church
420 Woodland Road
Henderson, NC 27536
(919)492-8111

Rep. Donald M. 'Don' Dawkins
P.O. Box 757
Rockingham, NC 28379
(919)895-6331

Rep. W. Stine Eisenhower
P.O. Box 425
Conover, NC 28613
(704)464-0811

Rep. Doris L. Lail
904 S. Aspen Street
Lincolnton, NC 28092
(704)735-3868

Mr. I. Richard Verrone
Planters National Bank
P.O. Box 1220
Rocky Mount, NC 27802
(919)977-8211

Clerk:
Sarah Murphy
Room 525
Legislative Office Building
O: (919)733-5705
H: (919)828-6735

HEALTH CARE/INSURANCE COSTS ISSUES

The Legislative Research Commission's Study Committee on Health Care/Insurance Costs Issues held its organizational meeting on January 23, 1990. At that meeting the Committee heard speakers describe the severity of the health care cost crisis in North Carolina and throughout the nation, identify many of the causes and effects of the crisis, and speculate as to possible solutions to the crisis. The Committee members noted health care and health insurance issues of special concern to them and then agreed to focus their attention on the issue of State-mandated health benefits.

At its February 23rd meeting, the Committee followed up on its decision to focus on mandates by reviewing five mandate-related bills introduced during the 1989 Session of the General Assembly. Senate Bill 231, the authorizing legislation for LRC and

independent study committees and commissions, listed these bills, among others, as references for the Study Committee on Health Care/Insurance Costs Issues. Bill sponsors, along with proponents and opponents of these mandate bills, attended the meeting and analyzed the issues for the Committee. The Committee determined that additional discussion was in order and recommended continued review of the pros and cons of health insurance mandates at its next meeting.

The Committee will convene its third meeting on March 29th, at which time Committee members will continue their discussion of mandates and then determine whether they are ready to make a decision on any of the mandate-related proposals. If the Committee endorses any of the proposals at that time, then the Committee will report to the 1990 Session of the General Assembly.

HOMELESS PERSONS

Authorization: Chapter 802, §2.1, 1989 Session Laws (HB 2018, SB 1290)

LCR Member in Charge:

Sen. Russell G. Walker
1004 Westmont Drive
Asheboro, NC 27203
(919)625-2574

Members

President Pro Tem's Appointments

Sen. James F. 'Jim' Richardson
Co-Chairman
1739 Northbrook Drive
Charlotte, NC 28216
(704)399-1555

Sen. Frank W. Ballance, Jr.
P.O. Box 616
Warrenton, NC 27589
(919)257-1012

Sen. N. Leo Daughtry
141 N. 2nd Street
Smithfield, NC 27577
(919)934-7265

Sen. Wanda H. Hunt
P.O. Box 1335
Pinehurst, NC 28374
(919)295-3794

Rev. O'Clee Lewis
Ballance Road
Fremont, NC 27830
(919)242-5289

Speaker's Appointments

Rep. Charles F. 'Monroe' Buchanan
Co-Chairman
Route 1, Box 273
Green Mountain, NC 28740
(704)688-3544

Rep. Anne C. Barnes
313 Severin Street
Chapel Hill, NC 27516
(919)967-7610

Rep. Aaron E. Fussell
1201 Briar Patch Lane
Raleigh, NC 27609
(919)876-0240

Rep. James P. Green, Sr., MD
P.O. Box 1739
Henderson, NC 27536
(919)492-2161

Rep. Gordon H. Greenwood
P.O. Box 487
Black Mountain, NC 28711
(704)669-7961

Ms. Linda Shaw, Executive Director
N.C. Low Income Housing Coalition
P.O. Box 27863
Raleigh, NC 27611
(919)833-6201

Sen. Lura S. Tally
3100 Tallywood Drive
Fayetteville, NC 28303
(919)484-4868

Rep. Edith L. Lutz
Route 3, Box 197
Lawndale, NC 28090
(704)538-7818

Rep. Coy C. Privette
306 Cottage Drive
Kannapolis, NC 28081
(704)933-3734

Staff:
Susan Sabre
Bill Drafting Division
(919)733-6660

Clerk:
Irma Avent
Room 522
Legislative Office Building
O: (919)733-5620
H: (919)821-4108

HOMELESS PERSONS

The Legislative Research Commission's Study Committee on Homeless Persons will have met three times by the short session. At the first two meetings, the Committee received information on the federal, State, and local programs that are available to help the homeless and on the programs that are available to provide affordable housing in order to keep people from becoming homeless. These meetings' information confirmed the Committee's concern that the problems of homelessness are complex, and that there are many crucial and critical needs of people that must be met in order to ameliorate the problems of homelessness, ranging from how to provide emergency shelter, food, and human and educational services programs, and health and mental health care, to how to prevent homelessness by preventing evictions and by preserving low-income housing, to how to provide low-income housing for the homeless. Attempts to prioritize the issues and narrow the scope of the Committee's study were unsatisfactory. The attempts made clear that narrowing the focus of the study to any one "manageable" issue, such as how to provide affordable housing, would be meaningless. The Committee decided to tackle the whole spectrum of issues regardless of the difficulties presented both by the complexity of issues and by time and funding constraints.

At its third meeting, on March 28, the Committee will examine model legislation and legislation from other states that address the entire spectrum of issues affecting homeless persons. The Committee will draw up from this legislation and from its own discussion based on the testimony of the earlier meetings a list of concepts that they wish to address. These concepts will range from the establishment of State programs that will encompass all homeless services and programs to the establishment of the minimum State involvement necessary to coordinate the local programs and to facilitate their growth and improvement. Staff will be directed to put these concepts into draft proposal form. After the short session, the Committee will meet at least twice more, if time and funding permit, in different parts of the State, to hear from the public, who will be asked to address the draft proposals the Committee has made available for discussion.

The Committee has no recommendations to make at this time but will report to the 1991 General Assembly.

VIII. TAXATION

REVENUE LAWS

Authorization: Chapter 802, §2.1, 1989 Session Laws (HJR 3, SB 1298)

LRC Member in Charge:

Rep. John W. 'Bill' Hurley
304 Mason Street
Fayetteville, NC 28301
(919)483-6210

Members

President Pro Tem's Appointments

Sen. Dennis J. Winner
Co-Chairman
81-B Central Avenue
Asheville, NC 28801
(704)258-0094

Sen. A. D. Guy
P.O. Box 340
Jacksonville, NC 28541-0340
(919)346-4171

Mayor Oscar Harris
P.O. Box 578
Dunn, NC 28335
(919)892-1021

Sen. Donald R. 'Don' Kincaid
P.O. Box 988
Lenoir, NC 28645
(704)758-5181

Sen. Marshall A. Rauch
Box 609
Gastonia, NC 28053-0609
(704)867-5000

Sen. William W. 'Bill' Staton
P.O. Box 1320
Sanford, NC 27330
(919)775-5616

Mrs. Margaret Tennille
P.O. Box 5988
Winston-Salem, NC 27113
(919)722-7617

Speaker's Appointments

Rep. Daniel T. 'Dan' Lilley
Co-Chairman
P.O. Box 824
Kinston, NC 28502
(919)523-4309

Rep. J. Vernon Abernethy
P.O. Box 38
Gastonia, NC 28053
(704)865-2906

Rep. C. Robert Brawley
P.O. Box 1322
Mooresville, NC 28115
(704)664-1502

Rep. James M. 'Jim' Craven
P.O. Box 44
Pinebluff, NC 28373
(919)281-3322

Rep. John C. 'Pete' Hasty
P.O. Box 945
Maxton, NC 28364
(919)276-8680

Mr. Earle H. 'Pete' Ward
McGladrey & Pullen
P.O. Box 670
Shelby, NC 28151
(704)487-4391

Rep. Betty H. Wiser
404 Dixie Trail
Raleigh, NC 27607
(919)821-3818

Staff:

* Martha Harris
Bill Drafting Division
(919)733-6660

Dave Crotts
Sabra Faires
Fiscal Research Division
(919)733-4910

Clerk:

Ada Edwards
Legislative Building, Room
O: (919)733-5191
H: (919)872-7880

REVENUE LAWS

The Legislative Research Commission's Revenue Laws Study Committee has met three times: on January 26, February 16, and March 22-23, 1990. The Committee will meet again on April 23 to approve its report to the 1990 Session of the 1989 General Assembly.

At its first meeting, the committee reviewed its authorizing legislation and learned of other committees that may be studying similar topics. The committee was also briefed on the major tax changes made by the General Assembly during 1989. Based on this information, the committee decided to devote its spring meetings to technical issues and issues arising from the Highway Use Tax legislation enacted in 1989 and from the Tax Fairness Act of 1989. In the fall, the committee plans to look at long-term issues. Finally, the committee reviewed the status of its recommendations to the 1989 Session and learned that of these, seven had been enacted, two are still pending, and one was postponed indefinitely.

At its second and third meetings, the committee considered a number of proposals arising from the new Highway Use Tax that applies when a new title is issued for a motor vehicle and from the rewrite of the individual income tax by the Tax Fairness Act of 1989. The committee voted to make the following recommendations to the 1990 General Assembly. Because related proposals will be combined into omnibus bills, it is not clear how many separate pieces of legislation will be included in the report.

Recommendations

1. Make technical and clarifying changes to many statutes in Chapters 20 and 105 of the General Statutes.
2. Allow lessors of motor vehicles to elect to pay the new 3% highway use tax on motor vehicles owned by them on October 1, 1989. This change would extend to existing inventory the option that is available now for vehicles acquired since October 1, 1989.
3. Change the tax structure for rentals and leases of motor vehicles by eliminating the two-tiered tax rate that applies to all rentals and leases and replacing it with an 8% rate for all rentals of less than one year and a 3% rate for all leases of one year or longer.
4. Exempt from highway use tax sales to the Department of Human Resources of vans to be equipped by the Department for use by the handicapped and then transferred to a handicapped person.
5. Reinstate sales tax on mopeds, new motor vehicle bodies mounted on existing chassis, and tow dollies. These vehicles will be taxed at the general sales tax rate: 3% State and 2% local, for a combined rate of 5%.
6. Exempt from the highway use tax motor vehicle titles issued to the same owner to reflect a change or correction in the owner's name.

7. Exempt from the highway use tax transfers of motor vehicles by reason of death.
8. Reduce the minimum highway use tax from \$40.00 to \$20.00. This tax is in addition to the \$35.00 title fee.
9. Exempt from the highway use tax transfers of school buses to the State or a local board of education.
10. Exempt from the highway use tax transfers to a local board of education of motor vehicles to be used for driver education programs.
11. Allow the Division of Motor Vehicles to revoke or suspend an automobile dealer's license if the dealer submits a bad check in payment of the highway use tax.
12. Exempt from sales tax sales of fuel used by a qualifying small power production facility to generate electricity.
13. Provide that North Carolina Enterprise Corporations shall be taxed in the same manner as regulated investment companies and real estate investment trusts, and extend to gross premium taxes existing tax credits for qualified business investments.
14. Allow Subchapter S corporations to carry pre-1989 net economic losses forward to the 1989 and 1990 tax years.
15. Provide one-time relief from the \$300 limit on the tax credit for North Carolina dividends in the case of certain Subchapter S Corporation dividends issued in 1989.
16. Allow 100% deduction of mortgage interest by low and middle-income homeowners who participate in the federal Mortgage Credit Certificate program. Deduction of part of a participant's mortgage interest was inadvertently disallowed by the 1989 income tax rewrite.
17. Allow taxpayers who expensed property under § 179 of the Internal Revenue Code before 1989 to continue to deduct depreciation for State tax purposes to the same extent they could have done so under the prior law.
18. Allow a tax credit for individuals who have a dependent who is permanently and totally disabled.
19. Update to 1990 the reference to the Internal Revenue Code used to determine certain taxable income and tax exemptions and adopt the 1990 federal personal exemption and standard deduction amounts. The tax rate thresholds will be adjusted to make this bill revenue neutral.
20. Provide an inheritance tax exemption for amounts received by a Class A beneficiary from a state or local retirement plan or a state, local, or federal deferred compensation plan. Limit the current exemption for amounts received from a federal retirement plan to amounts received by Class A beneficiaries only.
21. Change the maximum bond the Secretary of Revenue may require of fuel tax distributors and suppliers from \$40,000 to two times the distributor's or supplier's estimated average monthly liability.

The committee will include these recommendations in its report to the Legislative Research Commission for transmittal to the 1990 Session of the 1989 General Assembly.

LICENSE PLATE FEES--PERSONALIZED AND SPECIAL PLATES

AUTHORIZATION: CHAPTER 774, § 6, 1989 SESSION LAWS (SB 913)

LRC Member in Charge:

Rep. John W. 'Bill' Hurley
304 Mason Street
Fayetteville, NC 28301
(919)483-6210

Members

President Pro Tem's Appointments

Sen. R. C. Soles, Jr.
Co-Chair
P.O. Box 6
Tabor City, NC 28463
(919)653-2015

Sen. William D. Goldston, Jr.
P.O. Box 307
Eden, NC 27288
(919)627-1495

Sen. Charles W. 'C. W.' Hardin
67 Rhoda Street
Canton, NC 28716
(704)648-2327

Sen. Ralph A. Hunt
1005 Crete Street
Durham, NC 27707
(919)682-5259

Sen. Robert L. 'Bob' Martin
P.O. Box 387
Bethel, NC 27812
(919)825-4361

Sen. Robert S. 'Bob' Swain
612 Northwestern Bank Building
Asheville, NC 28801
(704)255-7703

Ms. Martha R. Taylor
P.O. Box 334
Snow Hill, NC 28580
(919)747-3193

Speaker's Appointments

Rep. Doris R. Huffman
Co-Chair
Route 4, Box 81
Newton, NC 28658
(704)464-5246

Rep. Charles W. Albertson
Route 2, Box 141-E
Beulaville, NC 28518
(919)298-4923

Rep. Howard C. Barnhill
2400 Newland Road
Charlotte, NC 28216
(704)392-4754

Rep. Arlie F. Culp
Route 2, Box 529
Ramseur, NC 27316
(919)824-2218

Rep. Aaron E. Fussell
1201 Briar Patch Lane
Raleigh, NC 27609
(919)876-0240

Mrs. Carrie Thompson
521 Oakwood Lane
Graham, NC 27253

Rep. Stephen W. 'Steve' Wood
P.O. Box 5172
High Point, NC 27262
(919)886-4641

Staff:
* Cindy Avrette
Research Division
(919)733-2578

Richard Bostic
Fiscal Research Division
(919)733-4910

Clerk:
Mary Lee Robinson
Room 604
Legislative Office Building
O: (919)733-5858
H: (919)876-3548

LICENSE PLATE FEES

Chapter 774 of the 1989 Session Laws authorized the Legislative Research Commission to study the fee structure for personalized license plates and special plates. The Personalized/Specialized License Plate Study Committee may report its findings to the 1991 General Assembly, but it is not authorized to report to the 1990 Session of the 1989 General Assembly.

The Personalized/Specialized License Plate Study Committee has not scheduled a meeting. The Department of the State Auditor is finishing a report on the structure of the personalized/specialized license plate funds within the Division of Motor Vehicles. Its report may contain some recommendations. The Committee plans to schedule its first meeting as soon as the auditor's report is released.

IX. TRANSPORTATION

TRANSPORTATION--LONG-RANGE NEEDS

Authorization: Chapter 692, § 1.12, 1989 Session Laws (HB 399)

LRC Member in Charge:

Rep. Joanne W. 'Joni' Bowie
106 Nut Bush Drive, East
Greensboro, NC 27410
(919)294-2587

Members

President Pro Tem's Appointments

Sen. William D. 'Bill' Goldston, Jr.
Co-Chairman
P.O. Box 307
Eden, NC 27288
(919)627-1495

Sen. Marc Basnight
P.O. Box 1025
Manteo, NC 27954
(919)473-3474

Mr. Jack Edmundson
P.O. Box 97
Maury, NC 28554
(919)747-3806

Sen. Kenneth C. Royall, Jr.
P.O. Box 51218
Durham, NC 27717-1218
(919)489-9191

Hon. Jeffrey B. Turner
Mayor
Pink Hill, NC 28572
(919)568-4048

Sen. Marvin M. Ward
641 Yorkshire Road
Winston-Salem, NC 27106
(919)724-9104

Sen. Constance K. 'Connie' Wilson
726 Lansdowne Road
Charlotte, NC 28226
(704)374-5150

Speaker's Appointments

Rep. R. S. 'Sam' Hunt, III
Co-Chairman
1218 W. Davis Street
Burlington, NC 27215
(919)229-5351

Rep. Bobby H. Barbee, Sr.
P.O. Box 656
Locust, NC 28097
(704)888-4423

Rep. Billy J. Creech
P.O. Box 148
Wilson's Mills, NC 27593
(919)934-6586

Rep. Jo Graham Foster
1520 Maryland Avenue
Charlotte, NC 28209
(704)332-8269

Rep. Daniel T. 'Dan' Lilley
P.O. Box 824
Kinston, NC 28502
(919)523-4309

Rep. John B. McLaughlin
P.O. Box 158
Newell, NC 28126
(704)596-0845

Rep. Timothy N. 'Tim' Tallent
230 Palaside Drive, NE
Concord, NC 28025
(704)782-5983

Staff:

* Ken Levenbook
Bill Drafting Division
919)733-6660

Giles Perry
Research Division
(919)733-2578

Clerk:

Ann Stancil
Legislative Building, Room 1323
O: (919)733-5775
H: (919)965-8058

Ruth Sappie
Fiscal Research Division
(919)7334910

TRANSPORTATION--LONG-RANGE NEEDS

The committee had one meeting on March 15, 1990. The committee decided that the areas that this committee was charged with studying were being adequately considered by other LRC Committees, by independent study committees, and by executive departments. The committee recessed pending any future meetings at the call of the Cochairmen if it is determined by the Cochairmen that there are specific subjects that require study and are not being investigated by other research bodies.

TRANSPORTATION--PUBLIC TRANSPORTATION FINANCING

Authorization: Chapter 740, § 7, 1989 Session Laws (HB 694)

LCR Member in Charge:

Rep. Joanne W. 'Joni' Bowie
106 Nut Bush Drive, East
Greensboro, NC 27410
(919)294-2587

Members**President Pro Tem's Appointments**

Sen. Aaron W. Plyler, Sr.
Co-Chairman
2170 Concord Avenue
Monroe, NC 28110
(704)289-3541/(704)283-1293

Mr. George Crumbley
137 Ruth Street
Fayetteville, NC 28305
(919)484-2288

Sen. William D. 'Bill' Goldston, Jr.
P.O. Box 307
Eden, NC 27288
(919)627-1495

Sen. James C. 'Jim' Johnson, Jr.
247 Church Street, NE
Concord, NC 28025
(704)784-8404

Speaker's Appointments

Rep. Daniel T. 'Dan' Blue, Jr.
Co-Chairman
P.O. Box 1730
Raleigh, NC 27602
(919)833-1931

Rep. J. Vernon Abernethy
P.O. Box 38
Gastonia, NC 28053
(704)865-2906

Rep. Roy A. Cooper, III
P.O. Drawer 4538
Rocky Mount, NC 27803
(919)442-3115

Rep. Lawrence E. 'Larry' Diggs
5001 Matthews - Mint Hill Road
Charlotte, NC 28212
(704)545-4966

Sen. David R. Parnell
P.O. Box 100
Parkton, NC 28371
(919)858-3521

Mr. Frank Plummer
29 Church Street
Concord, NC 28025
(704)788-3142

Sen. Daniel R. 'Dan' Simpson
P.O. Drawer 1329
Morganton, NC 28655
(704)437-9744

Staff:
* Giles Perry
Research Division
(919)733-2578

Gerry Cohen
Bill Drafting Division
(919)733-6660

Rep. Albert S. Lineberry, Sr.
'Al'
P.O. Box 630
Greensboro, NC 27402
(919)272-5157/(919)288-1278

Rep. William D. 'Billy' Mills
P.O. Box 820
Jacksonville, NC 28541
(919)347-4741

Rep. J. Arthur 'Art' Pope
3401 Gresham Lake Road
Raleigh, NC 27615
(919)876-6000

Clerk:
Ada Edwards
Legislative Building, Room 2322
O: (919)733-5191
H: (919)872-7880

Ruth Sappie
Fiscal Research Division
(919)733-4910

TRANSPORTATION--PUBLIC TRANSPORTATION FINANCING

The Legislative Research Commission Public Transportation Study Committee has met four times. At the Committee's first meeting on December 13, 1989, the N.C. Department of Transportation Public Transportation Division gave an overview of the Division's work, and a status report on the Research Triangle Regional Public Transportation Authority (RTRPTA). Legislative Staff presented introductory materials on public transportation funding options, as well as reviewed funding levels and procedures in surrounding states. The Committee identified: (1) funding for the RTRPTA, (2) funding for state-wide transit services, and (3) contact with N.C.'s congressman concerning federal funding for public transportation, as items to pursue at future meetings.

At the January 4, 1990 meeting of the Committee, N.C. DOT continued their overview of the work of the Public Transportation Division. The committee also heard from groups interested in the RTRPTA, from private transit services, and about DOT's rail corridor program.

At the February 7, 1990 meeting, the Committee heard from the N.C. Bus Association, the League of Municipalities, and a private provider of bus services in California. The Committee also test drove the prototype electric van of the N.C. Alternative Energy Corporation, before beginning a preliminary discussion of funding for the RTRPTA.

On March 12, the committee welcomed Congressman Price and Valentine for a discussion of the potential for expanded federal assistance for public transportation funding. Following this discussion, Legislative Staff presented seven alternative funding mechanisms for the RTRPTA. After discussion, the committee agreed to make a final recommendation on RTRPTA funding at the committee's next meeting, April 9, 1990.

The committee plans to make recommendations to present to the 1990 Short Session concerning funding for the RTRPTA at its April 9 meeting. In addition, the Committee plans to ask that it be allowed to continue to meet, and report to the 1991 Regular Session, on the broader issue of public transportation financing for the needs of the entire state -- for city and regional bus systems, intercity rail transportation, and human service transportation.

RAILROADS

Authorization: Chapter 802, §2.1, 1989 Session Laws

LRC Member in Charge:

Rep. Joanne W. 'Joni' Bowie
106 Nut Bush Drive, East
Greensboro, NC 27410
(919)294-2587

President Pro Tem's Appointments

Sen. James E. 'Jim' Ezzell, Jr.
Co-Chairman
P.O. Box 8225
Rocky Mount, NC 27804-1225
(919)443-1505

Sen. William H. 'Bill' Barker
P.O. Box 1339
New Bern, NC 28560
(919)638-1901

Sen. Franklin L. 'Frank' Block
520 Princess Street
Wilmington, NC 28401
(919)763-3463

Sen. Howard F. Bryan
P.O. Box 1654
Statesville, NC 28677
(704)873-0501

Mr. Tom Harbin
40 Robinhood Road
Asheville, NC 28804
(704)258-9049

Sen. Joseph B. 'Joe' Raynor
345 Winslow Street
Fayetteville, NC 28301
(919)483-5948

Speaker's Appointments

Rep. J. Vernon Abernethy
Co-Chairman
P.O. Box 38
Gastonia, NC 28053
(704)865-2906

Rep. David G. Balmer
P.O. Box 12391
Charlotte, NC 28220-2391
(704)334-2849

Rep. W. Bruce Ethridge
715 Ann Street
Beaufort, NC 28516
(919)728-2600

Rep. Pryor A. Gibson
Route 2, Box 382
Wadesboro, NC 28170
(919)572-3761

Rep. Daniel T. 'Dan' Lilley
P.O. Box 824
Kinston, NC 28502
(919)523-4309

Rep. Leo Mercer
115 Miller Street
Chadbourn, NC 28431
(919)654-3518

Sen. Dennis J. Winner
81-B Central Avenue
Asheville, NC 28801
(704)258-0094

Staff:
Sean Dail
Bill Drafting Division
(919)733-6660

Rep. Frank J. 'Trip' Sizemore, III
P.O. Box 1988
Greensboro, NC 27420
(919)378-1450

Clerk:
Lillie Pearce
Legislative Building, Room 1220
O: (919)733-5746
H: (919)876-3484

RAILROADS

The Committee on the Lease and Renegotiation of Contracts of the North Carolina Railroad Company has met twice. At its initial meeting, the Committee proposed to study ways of improving the rail transportation system in North Carolina, rather than restrict its study to the lease negotiations. The Committee heard from the president and vice president of the North Carolina Railroad Company, who discussed the recent merger of the North Carolina Railroad Company and the Atlantic and North Carolina Railroad Company. They encouraged the Committee to advocate the appropriation of additional funds for railroad corridor preservation and to push for a stronger emphasis on railroads within the Department of Transportation. The Committee was also addressed by a representative of the United Transportation Union, who outlined that group's areas of concern.

At its second meeting, the Committee heard from the Department of Transportation on priorities in rail corridor preservation. The executive director of the State Ports Authority told the Committee how rail service to the ports can be improved. The Committee also heard about "rails to trails" preservation efforts, and the President of the North Carolina Railway Association told the Committee of its concerns.

The Committee is not prepared to make recommendations at this time, and will report to the 1991 General Assembly.

SALVAGE MOTOR VEHICLE TITLES

Authorization: G. S. 120-30.17

LRC Member in Charge:
Rep. Joanne W. 'Joni' Bowie
106 Nut Bush Drive, East
Greensboro, NC 27410
(919)294-2587

Members

President Pro Tem's Appointments

Sen. William D. 'Bill' Goldston, Jr.
Co-Chairman
P. O. Box 307
Eden, NC 27288
(919)627-1495

Speaker's Appointments

Rep. John Weatherly
Co-Chairman
Route 3, Box 728
Kings Mountain, NC 28086
(704)487-0039

Sen. Betsy L. Cochrane
Box 517
Advance, NC 27006
(919)998-8893

Sen. James C. Johnson
29 Church Street
Concord, NC 28025
(704)788-3142

Sen. Howard N. Lee
9 Riggsbee Avenue
Chapel Hill, NC 27514
(919)942-6528

Sen. Wendell H. Murphy
P. O. Box 280
Rose Hill, NC 28458
(919)289-2111

The Hon. Melvin R. Daniels, Jr.
1618 Rochelle Drive
Elizabeth City, NC 27909
(919)338-6939

Mr. Gary Bevell
Wayne Auto Salvage
1911 Hwy. 117 South
Goldsboro, NC 27530
(919)734-3958

Staff:
Kristin Godette
Research Division
(919)733-2578

Rep. Roy A. Cooper, III
P. O. Drawer 4538
Rocky Mount, NC 27803
(919)442-3115

Rep. Narvel Jim Crawford
15 Edgemont Road
Asheville, NC 28801
(704)252-6972

Rep. Robert Grady
P. O. Box 5091
Jacksonville, NC 28540
(919)353-3579

Rep. Thomas C. Hardaway
P. O. Box 155
Enfield, NC 27823
(919)445-2371

Rep. John B. McLaughlin
Box 158
Newell, NC 28126
(704)596-0845

Mr. William S. 'Bill' Dove, III
P. O. Box 811
Kannapolis, NC 28081
(704)788-4133

Clerk:
Elaine Myers
Room 519
Legislative Office Building
O: (919)733-5856
H: (919)847-1170

X. WATER

WATER RESOURCES--GROUNDWATER PROTECTION

Authorization: Chapter 802, §2.1, 1989 Session Laws (HJR 554, SJR 367)

LRC Member in Charge:

Sen. Lura S. Tally
3100 Tallywood Drive
Fayetteville, NC 28303
(919)484-4868

Members

President Pro Tem's Appointments

Sen. Thomas F. 'Tom' Taft
Co-Chairman
P.O. Box 566
Greenville, NC 27835
(919)752-2000

Sen. Marc Basnight
P.O. Box 1025
Manteo, NC 27954
(919)473-3474

Sen. Franklin L. 'Frank' Block
520 Princess Street
Wilmington, NC 28401
(919)763-3463

Sen. Richard E. Chalk, Jr.
427 Wright Street
High Point, NC 27262
(919)883-0444

Mr. Joe Harwood
Duke Power Company
Design Engineering ECO9H
P.O. Box 33189
Charlotte, NC 28242
(704)373-8494

Sen. Russell G. Walker
1004 Westmont Drive
Asheboro, NC 27203
(919)625-2574

Speaker's Appointments

Rep. Howard J. Hunter, Jr.
Co-Chairman
P.O. Box 506
Murfreesboro, NC 27855
(919)398-5630

Rep. John W. Brown
Route 2, Box 87
Elkin, NC 28621
(919)835-2373

Rep. Howard B. Chapin
212 Smaul Road
Washington, NC 27889
(919)946-3480

Rep. Daniel H. 'Danny' DeVane
P.O. Drawer 500
Raeford, NC 28376-0500
(919)875-2528

Rep. C. R. Edwards
1502 Boros Drive
Fayetteville, NC 28303
(919)483-6505

Rep. Larry T. Justus
P.O. Box 2396
Hendersonville, NC 28793
(704)685-7433

Sen. Dennis J. Winner
81-B Central Avenue
Asheville, NC 28801
(704)258-0094

Staff:
* Sherri Evans-Stanton
Sara Kamprath
Research Division
(919)733-2578

Susan Iddings
Bill Drafting Division
(919)733-6660

Rep. Stephen W. 'Steve' Wood
P.O. Box 5172
High Point, NC 27262
(919)886-4641

Clerk:
Mary Tyson
Room 623
Legislative Office Building
O: (919)733-5953
H: (919)365-3601

WATER RESOURCES--GROUNDWATER PROTECTION

The Legislative Research Commission Study Committee on the Development of a State Strategy for the Protection of All Groundwater Resources will not report to the May, 1990 Session. The Committee met three times and heard from numerous speakers including, environmentalists, NC Farm Bureau, industry, Department of Environment, Health and Natural Resources ("DEHNR"), and Department of Agriculture concerning the pros and cons of a statewide groundwater policy. Many of the speakers pointed out that groundwater is mentioned only in passing in the environmental statutes and that, in some cases, the Environmental Management Commission is the rulemaking authority while the Commission for Health Services is in other cases. Reference to groundwater protection is scattered throughout the following statutes: Coastal Area Management Act; Drinking Water Act; Hazardous Waste Management; Leaking Underground Storage Tanks, Oil Pollution and Hazardous Substances Control Act of 1978; Pesticide Regulation; Radiation Protection Act; Septic Tanks; Solid Waste Management Act; Water Use Act of 1967; and Well Construction.

The Committee also discussed the impact on groundwater of the deposit of massive quantities of raw sewage in the State's rivers and streams. Finally, the Committee discussed sources of pollution and debated whether agricultural operations which contaminate groundwater should be subject to the same special order provisions that require cleanup as other operations. The Committee also discussed whether the State should establish a system within the Department of Agriculture to collect user information on the sale of pesticides. At present, that information is not available.

The Committee recognizes a need to create an overall policy, purpose section in the statutes, but has not compiled enough information as to whether it can be done without a recodification of the statutes. In addition, a cooperative study between DEHNR and the Department of Agriculture relating to pesticide contamination in groundwater is scheduled to begin in July, 1990. The Committee believes it will be in a better position to evaluate all of the information after the data from the study has been compiled. The Committee plans to offer recommendations to the 1991 Regular Session.

WATER RESOURCES--SURFACE WATER QUALITY/RESOURCES ISSUES

Authorization: Chapter 802, §2.1, 1989 Session Laws (HJR 33, HJR 37, HB 1224, HJR 1399, HB 1945, HB 1955, SB 1182)

LRC Member in Charge:

Sen. Lura S. Tally
3100 Tallywood Drive
Fayetteville, NC 28303
(919)484-4868

Members

President Pro Tem's Appointments

Sen. Franklin L. 'Frank' Block
Co-Chairman
520 Princess Street
Wilmington, NC 28401
(919)763-3463

Sen. Betsy L. Cochrane
Box 517
Advance, NC 27006
(919)998-8893

Mr. Charles 'Charlie' Holt
Holt Oil Company, Inc.
2709 Clinton Road
Fayetteville, NC 28301
(919)483-5137

Sen. Joseph E. 'Joe' Johnson
P.O. Box 31507
Raleigh, NC 27622
(919)787-5200

Dr. David Moreau
City and Regional
Planning Department
UNC - Chapel Hill
Chapel Hill, NC 27514
(919)962-5204

Sen. Kenneth C. Royall, Jr.
P.O. Box 51218
Durham, NC 27717-1218
(919)489-9191

Sen. J. K. Sherron, Jr.
4208 Six Forks Road, Suite 302
Raleigh, NC 27609
(919)781-8721

Staff:

Emily Johnson
Bill Drafting Division
(919)733-6660

Speaker's Appointments

Rep. Harry E. Payne, Jr.
Co-Chairman
P.O. Box 1147
Wilmington, NC 28402
(919)762-5505

Rep. R. D. 'Don' Beard
2918 Skye Drive
Fayetteville, NC 28303
(919)484-9935

Rep. Arlie F. Culp
Route 2, Box 529
Ramseur, NC 27316
(919)824-2218

Rep. Julia C. Howard
203 Magnolia Avenue
Mocksville, NC 27028
(704)634-3538

Mr. Frank Kime
Piedmont Triad Water Authority
2216 W. Meadowview Road
Greensboro, NC 27407

Rep. E. A. 'Alex' Warner, Jr.
3610 Frierson Street
Hope Mills, NC 28348
(919)424-5350

Rep. Peggy Wilson
214 W. Hunter Street
Madison, NC 27025
(919)548-6075

Clerk:

Janet Puryear
Legislative Building, Room 2009
O: (919)733-5963
H: (919)552-8224

SURFACE WATER

The Legislative Research Commission's Study Committee on Surface Water met four times. The topics considered at those meetings were interbasin transfers of water, the need, development, and funding for water resource projects, the Albemarle-Pamlico Estuary Study, and the degradation of the water quality in the Tar and Pamlico Rivers. While addressing concerns about problems in each of these areas, the committee has focused special attention on issues relating to interbasin transfers of water. Individual members of the community at large and representatives of government, economic development groups, and environmental groups provided information to committee members about the technical aspects of interbasin transfers of water and expressed their concerns about the potential impact such transfers may have on State economics and the environment.

Drafts of proposed legislation regulating interbasin transfers of water and establishing a moratorium on new interbasin transfers of water are being reviewed by the committee. The committee will meet again on March 30, 1990, to decide what, if any, recommendations to make in an interim report to the Legislative Research Commission and whether legislation to implement those recommendations should be proposed for consideration by the General Assembly during the 1990 Regular Session.

